

No More Cold War Prop/Mobutu and the 'Forces of Disorder'

Under a Remote Dictator, Zaire Nears Disintegration

By Howard W. French
New York Times Service

KINSHASA, Zaire — For the nearly three decades that the West backed Zaire's dictator, Mobutu Sese Seko, one rationale was consistently invoked: Whatever his evils, Marshal Mobutu, a wily billionaire, was the only figure who could bind this huge, chaotic country together.

But with the Cold War over, the West is no longer interested in supporting a once strategic ally. And the outside world is awakening to the fact that far from being held together under Marshal Mobutu's long rule, Zaire, which is as large as the United States east of the Mississippi, has drifted dangerously close to disintegration.

Since the outbreak of the deadly Ebola virus in May, Western diplomats, officials from neighboring countries, international public health experts and economists have begun to say aloud what many of the 41 million Zairians concluded long ago.

"Zaire doesn't really exist anymore as a state entity," said a European diplomat here.

He cited the separate arrangements that each of the eight provinces has been forced to make to assure its survival: "Kivu lives from informal trade with East Africa; East Kasai refuses to accept the national currency; Shaba has become a virtual extension of South Africa, and to visit Equateur, even though it is the president's home, is to see things just as they were in the time of Stanley."

The diplomat, who recently toured each province, said he was shaken by what he had found.

"Such roads as exist won't allow you to travel more than 15 miles an hour, and everywhere you go, people tell you stories of the things that used to exist but are no more," he said. "People can't afford beer anymore, so they drink palm wine. There's no soap, so people wash their clothes with papaya leaves."

The reliable statistics paint a frightening picture. According to the World Bank, Zaire's economy has shrunk 40 percent since 1988. Per-capita income has fallen 65 percent since 1988, two years before the country gained independence from Belgium.

The government is a concoction born of political improvisation and Western-coerced compromise. Marshal Mobutu was pressed by the West to accept Kengo wa Dondo, an advocate of austerity and privatization, after he dismissed another prime minister, Etienne Tshisekedi, under questionable legal circumstances.

THESE days the president has little to do with actual governance. Isolated for months at a time in his native village, Gbadolite, inaccessible except to those he summons, he controls only his vast security apparatus and foreign policy. Diplomats say the president also retains enough clout to protect lucrative business ties, particularly in diamond mining.

Mr. Kengo, who runs the government, has had to fight Marshal Mobutu each time his economic changes have threatened the president's interests. The president recently resisted Mr. Kengo's attempts to replace the president of the Central Bank; before the prime minister got his way, diplomats say, business executives thought to be in league with Marshal Mobutu imported at least three cargo planes loaded with counterfeit currency.

Even though two planes were seized at the Kinshasa airport, the state prosecutor, a Mo-



The deterioration of Zaire reflected in the garbage-filled and muddy roads of Kinshasa, the capital, with population of 5 million.

but appointee, declined to press charges, citing a lack of evidence.

For state employees, who go months without pay and often steal government property or resort to bribery for their livelihood, the counterfeit scheme provoked little surprise.

"We have grown accustomed to the blurred line between real and fake in Zaire," said a government ministry worker in Kinshasa, "so used to it that we can't tell the difference."

For many, that the latest Ebola virus outbreak should have occurred in Kikwit, is a clear sign of Zaire's steep decline.

KIKWIT, less than 300 miles (500 kilometers) east of Kinshasa, sits astride what was once a major transcontinental highway. Unlike other cities that live from little more than river traffic and small-scale agriculture, just two decades ago Kikwit was home to the world's largest palm-oil plantation.

But the highway to Kinshasa, which cuts across one grassy plateau after another before plunging through steep river-cut valleys, has deteriorated so badly that only a handful of intrepid truckers take it anymore.

Foreign doctors with long experience in Zaire say that in a sense, it was fortunate that the epidemic occurred in Kikwit, and not in any far more remote and even poorer area, where other epidemics are common, if seldom noticed by the outside world.

"Ebola brought a response, but the people of Zaire face a very fundamental health crisis," said Dr. Dan Fountain, an American missionary physician who practices in the Kikwit region. "All over the place you find a population that suffers from malnutrition and has severely deficient immune systems. Measles outbreaks kill 300 people in a pop here all the time, and AIDS, hepatitis, tuberculosis and malaria are ever present."

Like nearly every region of Zaire, which was once the largest copper producer and a major exporter of coffee, Kikwit, a city of 500,000, now lives without industry.

Fuel for the few cars in circulation is sold in whiskey bottles at the roadside, since there are no gas stations. Young people set out barefoot to reach the nearest diamond area, 200 miles to the south, where crude mining provides the only hope of a livelihood.

"There is just no work here," said Jean Mpongo, 24, who recently returned from a season of mining. "If you stay here, you live by the land or you live from charity. One thing is sure: You live without money."

With the Cold War over, there is little fundamental disagreement between Western diplomats and the president's opponents in describing his recipe for holding on for the last 30 years.

His first trump card was his reliability as an ally of the West. For years he allowed Zaire to be used as a base for Jonas Savimbi, Washington's ally in the civil war in leftist-ruled Angola. For France, Zaire, which shares borders with nine other countries, was long an invaluable staging ground for military operations to prop up former French colonies.

Several Western military operations have rescued the president. Western military assistance helped him put down rebellions in Shaba (formerly Katanga) that began in 1977. As recently as 1991, France and Belgium intervened there, ostensibly to rescue their nationals during rioting by soldiers who had not been paid.

Marshal Mobutu is a master of co-opting would-be opponents. Diplomats say he has systematically let his enemies feed at the state trough, rotating them in and out of office and encouraging many of them to become wealthy to neutralize them as critics.

LIKE many African dictators, he has also constantly played ethnic politics. While filling the army with members of small tribes from his native province of Equateur, he has fanned hatred between several of the larger ethnic groups, preventing them from challenging him. Several regions of the country are embroiled in tribal wars.

His last rampart has been a myriad of security organizations that run from the army and the gendarmerie to several layers of secret police and an autonomous presidential guard. To move about these days in any major city is to see soldiers and police officers on nearly every street.

The security forces have become a law unto themselves. In what has become a common occurrence as unpaid security agents have turned to preying on residents, four secret-police agents recently abducted two Ameri-

can journalists who were visiting a tuberculosis sanatorium in Kinshasa. After driving around for an hour, during which the journalists were taken to the gate of a prison and threatened with jail, the agents made off with \$350 and several rolls of film.

After a diplomatic protest was lodged, something truly odd happened: a Zairian army general from Equateur came to the journalists' hotel with the money and film, and with this apology: "That is what happens when people insist that we have democracy here. There is no more order in the country anymore."

THE shaken taxi driver whose car had been commandeered said: "Mobutu has taught everyone one thing and one thing only: How to steal. In Zaire, the forces of order have become the forces of disorder."

Despite the president's unpopularity, he has been pressing for national elections, to end his diplomatic isolation and, many suspect, to get rid of Mr. Kengo, who has been slowly cleaning house by removing Mobutu cronies from senior government positions and introducing economic reforms. Diplomats say there is another reason he is eager for elections. With the opposition badly divided and Mr. Kengo, who is of Zairian and Rwandan heritage, unable to run for the presidency because candidates must be pure Zairian, some diplomats say Marshal Mobutu could very well win.

"There are vast stretches of this country where the only thing anyone knows is Mobutu," a Western diplomat said. "He has governed this country as the all-powerful 'Ghidi' for so long that you have generations of people who would have trouble imagining anything but him."

Still, in places like Kinshasa, a city of 5 million where huge garbage heaps line major roads that dissolve into muddy lakes at the first rain, and where a bankrupt government failed this year to buy chlorine needed to treat water, setting off a panic, it is hard to find anyone who would support Marshal Mobutu.

"They talk about holding elections, but that is not the people's problem anymore," said Ernest Lutumba, a worshiper at an evangelical church in Kinshasa. "The people know that elections are for Mobutu. Our problems lie elsewhere."

Arrest of Drug Lord Shows Nation's Will, Colombia Chief Says

By Steven Gutkin
Washington Post Service

BOGOTA — The capture of a leader of the Cali drug cartel shows Colombia's will to battle drugs, President Ernesto Samper Pizano said, but he cautioned that the courts could show leniency if the drug kingpin cooperated with prosecutors.

Mr. Samper, who has been unable to shake accusations that he is linked to drug traffickers, said that the arrest Friday of the Cali leader, Gilberto Rodriguez Orejuela, proved that he was serious about drugs.

"This event has demonstrated that our will to battle narcotics trafficking is clear," he said during an interview Saturday in the garden of his country retreat outside Bogota. "It has demoralized other cartel leaders, who will easily surrender or be captured in the coming weeks."

An elite force of policemen and soldiers entered Mr. Rodriguez's home in northern Cali on Friday and found him hiding in a closet, Defense Minister Fernando Botero Restrepo said. The minister said Mr. Rodriguez, leader of the world's largest drug-trafficking group, surrendered peacefully.

Mr. Samper said, however, that Mr. Rodriguez may end up serving an insignificant jail term. The wealthy 56-year-old Cali leader would be eligible for lenient treatment if he decides to cooperate with the authorities, the president said.

"If he has the will to collaborate, the treatment by prosecutors and judges may be one of great consideration," Mr. Samper said.

(Mr. Rodriguez urged his associates Saturday to turn themselves in, saying they could not win a fight against the state, Agence France-Presse reported from Bogota.)

(The police released a videotape in which Mr. Rodriguez made his first statement since being apprehended Friday.)

["No criminal organization can win, ever, a war against the state," Mr. Rodriguez said.

"Throughout history, the forces of order always win."]

Colombia's penal code, approved in 1993 under intense pressure from the Cali gang, permits a maximum sentence of 12 years for drug trafficking. Mr. Rodriguez could face prison time if he is convicted on charges of illegal enrichment and illegal arms possession, but given Colombia's record, a long sentence is not likely.

Indeed, short sentences in such cases are a main reason behind a U.S. decision last year to cancel an evidence-sharing program aimed at helping to convict drug traffickers.

Earlier this year, the Clinton administration labeled Colombia as "uncooperative" in the war on drugs and gave it a year to improve. Nonetheless, the United States sends Colombia \$40 million a year in aid, most destined for drug-fighting efforts.

In recent months, Colombia has tried to break down the legal and political influence that the traffickers established to protect themselves and their operations.

For instance, Mr. Rodriguez ran an intelligence network that experts say was far more sophisticated than the government's, spending millions of dollars on surveillance equipment.

Asked if Mr. Rodriguez could threaten to embarrass politicians with the information he gathered, Mr. Samper replied, "That is a possibility."

After all, Mr. Rodriguez has already caused problems for Mr. Samper. The cartel leader was taped discussing making contributions to Mr. Samper's presidential campaign last year. The president has denied that any such contribution was made.

Mr. Samper declared that his government will not "go on vacation" from the drug fight in the aftermath of Mr. Rodriguez's capture. Yet, he indicated that the arrest will lessen the tension felt in Cali, which has been the scene of police and army raids in recent weeks.

"I think there has to be a break," he said.

Medellin Bombing Kills at Least 21

The Associated Press

MEDALLIN, Colombia — A powerful bomb sprayed shrapnel through a crowd at an outdoor music festival here, killing at least 21 persons and wounding more than 200, the police said Sunday. One suspect was arrested.

The explosion in a downtown park Saturday night occurred one block away from a police barracks. The attack recalled the worst days of the northwest city's drug terrorism, which dwindled with the killing of the cartel kingpin, Pablo Escobar Gaviria, by security forces in 1993.

Police arrested a suspect carrying five cans of gunpowder, but the motive for the attack could not be determined immediately. Police speculated that the bomb was planted by leftist guerrillas. Others thought it could be connected to Friday's arrest of Gilberto Rodriguez Orejuela, a leader of the Cali drug cartel.

Police Colonel Victor Manuel Paez said a 10-kilogram (22-pound) bomb filled with shrapnel was placed beneath a sculpture by an internationally known artist, Fernando Botero, in Medellin's San Antonio park.

It exploded as the music festival was ending. Up to 5,000 people had attended the festival, an organizer said, but the audience had dwindled to about 1,500 by the time the blast occurred.

A police official said there were 21 deaths, but the Red

Cross and city officials earlier said 30 people died.

Red Cross officials treated the injured, and ambulances rushed victims to nearby hospitals. Authorities said the number of casualties was likely to increase.

Authorities made radio appeals for blood donations, and Mayor Sergio Naranjo convened an emergency meeting of law enforcement officials to discuss security measures.

"Those who did this are barbarians who are trying to hit us where it most hurts, and they prefer Medellin for this kind of attack," the mayor told Bogota's El Espectador newspaper.

The attack came one day after police arrested Mr. Rodriguez, who with his brother Miguel leads the Cali drug cartel.

Authorities have feared that the arrest and other recent raids on Cali hideouts and properties could prompt violent revenge attacks by drug traffickers.

The cartel is based, however, in Cali. It has less influence in Medellin, 380 kilometers (240 miles) to the northeast.

U.S. Drug Official to Hanoi

Agence France-Presse

HANOI — The U.S. assistant secretary of state for international narcotics, Robert Gelbard, was due here Sunday for the first high-level discussions with Vietnam on narcotics control since the country was put on a U.S. watch list of countries considered either a producer or major transit point for drugs.

UN Votes to Cut Its Rwanda Force by Half

By Christopher S. Wren
New York Times Service

UNITED NATIONS, New York — The Security Council has voted unanimously to cut by more than half the number of UN troops in Rwanda after the Rwandan government asserted that they were no longer needed or wanted.

The move will reduce the UN force in Rwanda, which now numbers nearly 5,600 troops, to 2,330 soldiers within three months, and to 1,800 within four months.

The new level was a compromise with Rwanda, whose permanent representative at the

United Nations, Manzi Bakurumutsa, said the Rwandan government could protect its own citizens without the United Nations' help.

UN military observers and civilian police in Rwanda will remain at their current level of about 320 and 65, respectively. Security Council members

have been reluctant to reduce the number of UN troops in Rwanda partly because their presence may encourage nearly 2 million refugees, most of whom are Hutu who fled to camps just across the border, to begin returning home without fear of reprisal from the Tutsi, who now control the country.

The Rwandan government has asserted that the UN force is costly, useless and undisciplined and that it has caused tensions with the local population. It said the country was far more in need of development assistance to rebuild a society and an economy ravaged by the ethnic massacres.

TRAVEL UPDATE

SAS Flights to Be Grounded

STOCKHOLM (Reuters) — All of Scandinavian Airlines Systems flights will be grounded on Monday after a breakdown Sunday in pay talks aimed at averting strike action between SAS and pilots' unions, the Swedish news agency TT said.

"Negotiations broke down without an agreement being reached," said Jonas Bernunger, head of the SAS negotiating team. "That means industrial action will commence at midnight."

The strike and the reciprocal lockout by management will ground all SAS flights in the Nordic region and internationally with the exception of domestic flights operated by SAS Commuter and SAS catamaran traffic. SAS flights were grounded last Friday in the first of a planned series of one-day strikes. A new strike is planned for Wednesday unless an agreement can be reached.

The death toll from a heat wave in India rose to

167 on Sunday with two more sunstroke fatalities, the Press Trust of India said. Temperatures have soared to 50 degrees centigrade (122 degrees Fahrenheit) in some parts of India. (Reuters)

This Week's Holidays

Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Australia, Cyprus, Greece, Paraguay, Philippines, Russia, Sri Lanka.

TUESDAY: Portugal, Russia.

THURSDAY: Andorra, Argentina, Bolivia, Brazil, Chile, Costa Rica, Dominican Republic, Equatorial Guinea, Germany, Grenada, Liechtenstein, Monaco, Poland, Thailand, Vatican City.

FRIDAY: South Africa.

SATURDAY: Hong Kong, Iceland.

Sources: J.P. Morgan, Reuters.

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Crash of a Top-Secret Jet Forges Unusual Bond

By Elizabeth Cohen
New York Times Service

ZUNI, New Mexico — The crash of one of the nation's most advanced warplanes last month on an Indian reservation just west of the Continental Divide has forged an unlikely alliance between a reclusive people and the U.S. Air Force.

Military officials refuse to talk about the crash, as do leaders of the Zuni Indian tribe. When the silence around Zuni is broken at all, it is most likely to be the nervously whispered concerns of members of the reservation's hospital staff about the exposure of Zuni Indians to highly toxic chemicals at the crash site and in the smoke from the plane's explosion.

Wildflowers again keep a vigil over the hills near Pia Mesa, a rise of earth held sacred by the Zunis. But since the crash on May 10, hundreds of air force and U.S. Army vehicles have traveled up the winding route the Zunis call the Old Salt Trail to a meadow where huge mounds of newly dug red dirt surround the 30-foot crater where the warplane, an F-117A Nighthawk Stealth fighter, struck the earth.

Military officials have told the Zunis that the trucks will be coming here sporadically through most of the summer. The \$46 million plane was assigned to a fighter wing at Holloman Air Force Base near Alamogordo, New Mexico. It came down in a plume of flame,

according to people in sheep camps near Zuni pueblo, the heart of the reservation, where 9,000 people live. The pilot, Captain Kenneth W. Levens of Stamford, Texas, was killed. The air force would release no other information about him.

A total of 59 Stealth fighters have been built by the Advanced Development Projects section of Lockheed Corp. Five of them have crashed, with the loss of three pilots. A sixth burst into flame on landing.

In a telephone interview, the pilot's twin brother, Kevin, said Captain Levens was 35 and had flown more than 2,400 hours since joining the air force in 1984. Captain Levens lived in Alamogordo with his wife, Cathy, and a daughter, who was 1 year old on May 31.

The Zunis, who have woven a tight veil of secrecy to protect themselves from journalists and outsiders, have said they are concerned about three issues: possible harm to important religious shrines near the crash site, the potential health risks to the first tribe members at the crash site and respect for the remains of the pilot.

Members of the Tribal Council issued a statement saying they would not give interviews to the press. But some members of the tribe did speak, most of them on the condition that they not be identified.

The air force, for its part, has offered little explanation for why the elite fighter specially designed to evade detection

by radar was flying at a low altitude over a populated area. Some residents said it had been flying at about 500 feet before it crashed, only seven miles from Zuni pueblo. A federal air regulation requires that pilots flying over populated areas stay 1,000 feet above the highest obstacle within a radius of 2,000 feet of their craft.

Bob Pepper, chief of media relations for the fighter wing at Holloman, said a board would investigate the accident. He said it would create a two-volume report, only one volume of which would ever be available publicly.

The fighter was on a training mission when it crashed, Mr. Pepper said, adding that he had "no idea how many aircraft" were flying that night.

But John Clabes, public affairs officer for the Federal Aviation Administration's Southwest Region in Fort Worth, said it was one of several Stealth fighters flying through Zuni airspace that night. Air-traffic controllers reported that "there might have been as many as a dozen in the air that evening," Mr. Clabes said. FAA regulations call for military aircraft to report their positions to air controllers.

Among the witnesses to the crash was the Vinton Kallestewa, 19, who works at the Teen Wellness Center at Zuni High School. "I was coming back from Salt Lake, where our family's land is, when I saw the tail end of it, over Nutria Lake," he said. "It looked like a falling star."

Mr. Kallestewa said his grandfather was summoned soon afterward by the

Tribal Council to help determine if the crash had damaged any important ruins or shrines.

Other Zuni residents said the plane had been flying low and had made a loop before they lost sight of it as it crashed into Pia Mesa. They also said that they frequently saw military planes in the skies over their reservation.

In addition, Zuni, like all Indian reservations, is a sovereign nation under a treaty with the federal government, and some people in the tribe said that posed serious questions about whether air force planes should be flying over their land.

There is also growing concern here that the first people to arrive at the crash site may have been contaminated by toxic smoke from burning plastics and hazardous materials.

After the crash, the air force warned that the smoke from the burning plane might have been toxic. And on May 25 it supplied Zuni medical officials with a health questionnaire to be given to everyone who first responded to the crash.

A paper delivered at a NASA conference in 1994 and obtained by The Independent in Gallup, indicates that there is cause for concern. According to the paper, delivered by Lieutenant John M. Olson of McClellan Air Force Base in California, some materials that may have burned in the Zuni crash pose serious health risks. They include beryllium, radar-absorbent material, depleted uranium, thermoplastic and a carbon graphite used for reinforcement.



A PRINCELY TOUR — Ronald Reagan meeting Crown Prince Felipe, the son of King Juan Carlos I of Spain, at the office of the former president in Los Angeles.

AMERICAN TOPICS

U.S. to Experiment With Vaccine In Bid to Curb Rabies in Raccoons

The U.S. Agriculture Department has issued a temporary license for a vaccine that can be fed to raccoons to curb the spread of rabies. The vaccine is mixed with bait and should protect raccoons that eat it for about nine months, Robert Miller, a department veterinarian, said.

Rabies strikes pets, farm animals, wild animals and humans, but in most areas one animal becomes the base for the virus's survival. In the northeastern United States, it is the raccoon.

"It's thought that if you can control the rabies in the raccoons, then all of these other animals wouldn't come down with it," Dr. Miller said.

The vaccine was developed by the Wistar Institute in Philadelphia in collaboration with Transgene, a French biotech company, and is already used in Europe to control rabies in the red fox. It is manufactured in the United States by Rhone-Merieux Inc., which hopes to sell it to state health departments.

The one-year license is limited to raccoons, but the vaccine could be allowed for other wild animals after further testing.

Six people died from rabies last year in the United States, and thousands of others were treated after exposure to the virus.

Short Takes

Doctors failed to reattach the hand that was torn off a man's wrist in a tug-of-war game at a company picnic. Stanley Dewane Farris, 21, was in fair condition at a hospital in Chattanooga, Tennessee. A hospital spokeswoman said that "the injury was too severe" to save the hand. Mr. Farris had rope wrapped around his wrist during the tug-of-war between teams of 25 adults. A hard tug by the other team severed his hand. He had been his team's anchor, last in the line.

The 10 billionth U.S. airline passenger will fly sometime this week, according to the Air Transport Association, a trade group. And who was the first passenger? It was A.C. Pheil, who paid \$400 to become the first scheduled U.S. airline passenger in 1914. Mr. Pheil, a former mayor of St. Petersburg, Florida,

bid \$400 in an auction for the right to be first for the 21-mile (about 35-kilometer) flight on Jan. 1, 1914, across Tampa Bay from St. Petersburg to Tampa. The trip cost \$3 thereafter. The St. Petersburg-Tampa Airboat Line carried 1,205 passengers before closing at the end of the tourist season on March 31, 1914. Though it barely broke even, it was the country's first scheduled air carrier.

The Maine Supreme Judicial court has upheld the constitutionality of trying accused drunken drivers after suspending their licenses. A lawyer for two motorists argued that the policy violates the constitutional ban on double jeopardy by twice punishing people for the same action. The argument has cropped up in most of the 37 states that currently suspend or revoke licenses before prosecuting drunken drivers. Trial court judges in at least a dozen states have dismissed drunken driving charges in such cases. The Maine court, however, agreed with the state's argument that the immediate suspension of a driver's license is designed to protect the public from irresponsible drivers.

Philip Morris Inc. has agreed to take down cigarette ads in stadiums and arenas that the government says were designed to circumvent a ban on televised tobacco advertising. Government lawyers said the advertisements were strategically placed to get picked up in televised coverage of professional baseball, football, basketball and hockey games.

Gene Kalland, a Los Angeles Times reader, reports that his insurance company sent him a gruesome-looking offer that he "apply today for accidental death and dismemberment." It added, more reassuringly, "Round out your insurance portfolio."

"Pocahontas" fever swept Central Park in New York City on Saturday, turning the Great Lawn into an outdoor theater for 100,000 ticket-holders at the world's largest movie premiere. Despite occasional rain, the heavily hyped animated movie from Disney began at 9:30 P.M. after thousands spent a muggy afternoon waiting inside the fenced compound picnicking, buying "Pocahontas" souvenirs and dancing to music. The film flickered on four 80-by-120-foot screens. When the movie began, a loud cheer rose from the crowd. But rain began about the same time, and viewers used umbrellas and blankets to shield themselves. No one headed for the exits, and the rain stopped shortly afterward.

International Herald Tribune

Out-of-Court Settlement Is Upheld In Allegations of Sex Bias at CIA

By Steven A. Holmes
New York Times Service

WASHINGTON — A federal judge has approved an out-of-court settlement in a threatened sex discrimination case against the Central Intelligence Agency.

Judge Albert Bryan Jr. of U.S. District Court rejected appeals by some of the plaintiffs, who are all women, that the \$1 million to be paid by the agency was inadequate. In his ruling, the judge spared the CIA the embarrassment of having allegations against it laid bare in court.

The agency was accused of widespread sexual bias and harassment in its clandestine operations unit.

Nine of the 10 CIA employees who had taken the lead in threatening a class-action lawsuit had urged the court to overturn the settlement reached in March. They contended that the agreement left in place many of the personnel policies that had allowed rampant sexism in the operations unit, which conducts overseas espionage.

The nine women also said the lawyers who negotiated the original settlement, including the Washington Lawyers Committee for Civil Rights and Urban Affairs, had been intimidated by government lawyers.

But after hearing several hours of statements from witnesses, including women agents

who testified in a closed session to protect their identities, Mr. Bryan ruled that the settlement was "fair and adequate."

The judge also warned the CIA that he would monitor its adherence to a promise to eliminate bias.

"The court is available and will be looking over the shoulder of these people," he said.

In a written statement, the CIA director, John Deutch, said he was pleased with the ruling and announced additional steps to root out racism and sexism in the agency.

The CIA "cannot afford to waste the talents of any individual," Mr. Deutch said. "People will be judged on the basis of performance, and everyone will

be given an equal opportunity to advance."

Despite the assurances of the judge and Mr. Deutch, some of the women who hoped to have the settlement overturned said they feared that the agency would continue to make personnel decisions based on an "old boy culture" that has excluded women.

"They use the veil of secrecy to keep their employees in line," said Lynn Larkin, a former CIA employee. "It will be a lot worse."

Michael Kelley, the lawyer retained by the women seeking to overturn the settlement, said, "Obviously, the women I represent are disappointed by the judge's decision." He added that his clients had not decided whether to appeal.

Away From Politics

• A cruise ship with about 1,500 people aboard ran aground off Nantucket, Massachusetts, but Coast Guard officials said the ship, the Royal Majesty, was not in danger of sinking. (AP)

• Investigators following the stench of rotting flesh have found the bodies of a wealthy Hungarian and his girlfriend stuffed in 55-gallon drums in an irrigation ditch near Homestead, Florida. Detectives had been searching for the couple, 32-year-old Frank Griga and 23-year-old Krisztina Furton, since a personal trainer confessed to taking part in their kidnapping, bludgeoning and dismemberment, the police said. (AP)

• A Spanish climber fell 4,000 feet (1,200 meters) to his death while waiting to be rescued near the summit of Mount McKinley in Alaska, the National Park Service said. He and two other exhausted Spaniards had been stranded for three days 19,200 feet (5,850 meters) up the 20,320-foot (6,200-meter) McKinley, North America's tallest peak. The climber, Albert Puig, 26, of Barcelona, died shortly before his companions were rescued. (Reuters)

• A defense lawyer in the case of two men accused of killing a German visitor to Florida has asked the judge to remove herself, calling her prejudiced. The two men face first-degree murder and robbery charges in the April 1993 slaying of Barbara Meller Jensen. (Reuters)

• A genetic drug company is investigating what caused one patient to die and 10 others to become seriously ill after taking an experimental cancer drug. The company, Genetics Institute Inc., has suspended clinical trials of recombinant human interleukin-12. (AP)

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POLITICAL NOTES

A Poll Shows Dole Ahead of Clinton

WASHINGTON — Senator Bob Dole would beat President Bill Clinton by a slim margin in a head-to-head presidential election were held today, according to a recently released poll. The Newsweek poll of 755 adults to be published in the magazine's June 15 edition shows the Kansas Republican ahead of Mr. Clinton, 49 percent to 40 percent.

The poll's margin of error was plus or minus 4 percentage points. The poll follows an NBC-Wall Street Journal survey that showed the two in a statistical dead heat.

The Newsweek poll also showed Mr. Clinton beating the House speaker, Newt Gingrich, Republican of Georgia, in a one-on-one presidential race, with 52 percent favoring Mr. Clinton and 33 percent Mr. Gingrich. (AP)

Hearings Urged on Militia Groups

WASHINGTON — A coalition of organizations that monitor the activities of rightist extremists wrote Mr. Gingrich to press for congressional hearings on so-called "militia" groups. Last month, 60 House Democrats, led by Representatives Charles E. Schumer of New York and John Conyers Jr. of Michigan, also urged Mr. Gingrich to hold hearings. (WFP)

Republican Move: Food for Thought

WASHINGTON — The chairman of the Senate Agriculture Committee has broken with fellow Republicans in the House and rejected the notion of giving the states responsibility for the school lunch program.

The chairman, Senator Richard G. Lugar of Indiana, also turned down pleas from some Republican governors who want Washington to replace food stamps with direct cash payments to the states. (NYT)

Arkansas Governor Denies Charges

LITTLE ROCK, Arkansas — Governor Jim Guy Tucker of Arkansas has denied all charges in a federal Whitewater indictment and vowed to remain in office while defending himself. Mr. Tucker was indicted on Wednesday by the special Whitewater prosecutor, Kenneth Starr, and charged with attempting to avoid taxes on millions of dollars in profits when he was in private citizen. He accused Mr. Starr of "sickening mendacity" in saying the investigation had been handled with care. (Reuters)

Quote / Unquote

Mr. Gingrich, who has been coy about whether he will run for the White House: "We never had a speaker before in the electronic age who thought that it was important to focus on ideas and should about ideas. It's a totally different environment. This is a post-Cold War environment. I think the presidency is relatively less important, the legislative branch relatively more important." (NYT)

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EUROPE

Q & A: Dini Predicts Single EU Currency After 1999

President Jacques Chirac of France held a working dinner Friday night in Paris for the other heads of European Union governments. Among the subjects discussed were the Union's summit meeting in Cannes later this month and the Group of Seven summit meeting that begins Thursday in Halifax, Nova Scotia. Prime Minister Lamberto Dini of Italy, who will take part in both summits, discussed these issues on Saturday with Alan Friedman of the International Herald Tribune.

Q. With Mr. Chirac, Prime Minister John Major of Britain, Chancellor Helmut Kohl of Germany and your other colleagues, you planned for the EU summit in Cannes. Jacques Santer, the European Commission president, wants to discuss the name of the new single currency at Cannes. Will that be on the agenda and do you like the German idea of calling it the frank?

A. I do expect that the name of the European currency will be discussed at Cannes. Clearly, this is something that sooner or later will be discussed, but I believe many remain attached to the term Euro.

Q. Some of your colleagues are pre-

dicting monetary union not in 1997 but by 1999. What is your forecast?

A. All of us are determined that the Maastricht convergence criteria remain firm, so nobody thinks 1997 is realistic. I think the single currency is a matter for the year 2000 and not before. And it cannot be expected that all member countries will be ready when the first group may wish to move ahead. So a two-stage Europe is likely, and we will have a problem of monetary cohabitation among EU members because those who are not part of the single currency could be subject to distortions.

Q. Will Italy be part of the first stage of monetary union?

A. Italy will meet some of the Maastricht criteria by that time, and I refer to the budget deficit and inflation criteria. But it will be hard to meet the debt-to-GDP criterion, so an overall evaluation will have to be made in 1998. As for the exchange rate mechanism, I hope the lira will join it soon, perhaps by the end of this year.

Q. Another subject at Mr. Chirac's dinner was French criticism of the competitive advantages enjoyed by Italy, Britain or Spain thanks to currency devaluations. What is your view?

A. There were some statements

made that rather irritated me. France, Belgium and the Netherlands raised the subject. I told them we understood, but I asked if they are certain that the devaluations of the lira or sterling had really created distortions, had really caused balance of payments problems for our European partners.

Instead of rhetoric, I suggested the EU Commission should produce an analysis first. And it seems to me that this analysis will find first that these were involuntary depreciations, where the countries with devalued currencies also suffered because of higher inflation, and second that the currency fluctuations have not really created balance of payment problems. They might have disturbed trade in some sectors like autos, but not much beyond that. After all, we live in a multilateral trading system.

Q. Speaking of multilateral trading, Sir Leon Brittan, the EU trade commissioner, has been scathing in his criticism of the U.S. threat of trade sanctions against Japan. What do you think of the U.S.-Japan trade conflict?

A. The Japanese market remains difficult for anyone to crack, and it is not so much trade restrictions as trade practices like their distribution system that makes it so difficult for foreigners

to penetrate. So there is a problem, no question there is a problem, and it is reflected by Japan's consistently high trade surplus.

Q. Let us turn to the next summit meeting, the one that begins this Thursday in Halifax. A draft final communiqué has already been leaked to the press. And there is much criticism that the G-7 is plodding or even ineffectual. What is your view of the summit process?

A. Some of the beans have been spilled, but not all. And these summits of G-7 have perhaps gathered an importance that goes beyond their immediate activities. They are not anymore the summits we had in the 1980s, when there were major foreign exchange adjustments like the Louvre accord. These are now economic summits where we coordinate and discuss the world economy. People should have lower expectations. In Europe, there are some who still want a new Louvre-style accord. But that is unrealistic.

Q. Well, among those who have said publicly they want another Louvre accord is Jacques Santer. Why is it unrealistic?

A. Because few countries are prepared to subordinate all other domestic economic policy objectives to ex-

change rate stability. This is the key reason.

Q. For Halifax, everyone is focusing on a new package of measures to strengthen the IMF and improve its monitoring in the wake of Mexico's crisis. What are some of the other issues coming up at the summit?

A. There will be more discussion of unemployment, of United Nations reform, of nuclear safety at Chernobyl. On unemployment we will review the situation with the aim of determining if any other specific actions can be taken at the world level. There has been some talk of another unemployment conference like the one we had in Detroit last year, perhaps next year in France.

Q. And the war in Bosnia? Both the EU and G-7 summit must address this issue. Former Swedish prime minister Carl Bildt is meant to replace Lord Owen as a negotiator, but is there any realistic chance of stopping the killing in Bosnia?

A. This is nearly intractable problem, but it is indispensable to keep up efforts, any efforts to bring about first of all a cease-fire, and of course to stop the killing. We must redouble efforts in this area.

BRIEFLY EUROPE

Foreign Ministers Set Discussion Of Bids for Aid in Luxembourg

BRUSSELS — Competing demands for European Union money in Eastern Europe, the Mediterranean and the Third World top the agenda on Monday when EU foreign ministers meet in Luxembourg.

The ministers will also discuss Bosnia with a former Swedish prime minister, Carl Bildt, the new mediator, appointed by EU leaders on Friday. They are expected to decline again to clear a trade pact with Russia because of Moscow's actions in Chechnya.

The 15-nation bloc will sign association agreements with Latvia, Estonia and Lithuania, holding out the prospect of EU membership to the Baltic states.

With a meeting of EU leaders only two weeks away — in Cannes, June 26 and 27 — the ministers will try to resolve a dispute about which of a plethora of worthy regions should get what from EU coffers. At issue is how to meet the financial pressures of bringing Eastern Europe into the Union, shoring up the EU's southern flank in unstable Mediterranean countries. (Reuters)

Solidarity Condemns Communism

GDANSK, Poland — The Solidarity trade union, which brought down Communist rule in 1989, ended a congress on Sunday urging all patriotic forces to join efforts to halt any return of communism.

Solidarity has squared off against ex-Communists in government with a wave of strikes and protests lately. "In Poland, a recommunication offensive is under way. This is the main reason the country is sinking into moral, economic and socio-political crisis," a resolution Sunday said. "It is impermissible for a candidate of the Communists or their allies to become president of Poland," it added, in a clear reference to a former Communist, Alexander Kwasniewski, front-runner in opinion polls for presidential elections late this year. (Reuters)

Damage Heavy in Bradford Riots

BRADFORD, England — Youths in this northern city hurled firebombs and bricks at police, looted shops and set a store and cars on fire Saturday in a second night of violence. The rampage, involving some 300 youths, started in a predominantly Indian and Pakistani neighborhood and spread close to the city center.

West Yorkshire police said damage was extensive. Shop windows down one side of a street were smashed, a post office was broken into, a pub was attacked, and seven vehicles on the forecourt of a car dealer were destroyed. Three policemen were injured and several youths were arrested during the disturbances, which lasted into early Sunday. (AP)

Calendar

European Union events scheduled for Monday:

LUXEMBOURG: European Foreign Ministers continue debating EU relations with the United States, Japan, Russia, Belarus, Ukraine and the Mediterranean countries. They will also authorize discussions on the negotiation of the Mercosur customs union with southern Latin America.

STRASBOURG: European deputies will ratify two proposals at the opening of the plenary session, the first on television transmission regulations, the second on numerical networks.

BASEL: European Economic and Monetary Union Commissioner Yves Thibault de Silguy joins a session of the council of the European Monetary Institute.

BRUSSELS: Competition Commissioner Karel van Miert meets Hong Kong Secretary to the Treasury Donald Tsang.

BRUSSELS: Social Affairs Commissioner Padraig Flynn meets World Health Organization Director Hiroshi Nakajima.

BRUSSELS: Agriculture Commissioner Franz Fischler meets Agriculture Minister Philippe Vasseur of France, the acting president of the EU's agriculture council. Sources: Agence Europe, AFP.



Wolfgang Gerhardt embracing wife, Marië, after winning Free Democrat leadership.

New Leader for Free Democrats But No Quick Turnaround Is Seen for Party

By Alan Cowell
New York Times Service

BONN — Germany's floundering Free Democrats, once the undisputed kingmakers of national politics, ended a special party congress on Sunday with a new leader, a reaffirmation of liberal thinking and a pledge to exorcise themselves from the bear-hug of Chancellor Helmut Kohl's Christian Democrats.

No one, though, was forecasting an easy turnaround in the party's fortunes.

The three-day gathering in Mainz was supposed to come up with ideas to reverse a political free-fall that has seen Germany's junior coalition partner lose disastrously in 12 out of 14 elections in the last two years. Its support fell from 11 to just under 7 percent in national elections last October, and it has lost its representation in the European Parliament and in a string of state legislatures. Its leader, Foreign Minister Klaus Kinkel, quit last month.

"Two out of three Germans think we're dead," said Jürgen Möllemann, a former economics minister, who fell from national office in 1993 in a conflict-of-interest scandal and who had been one of the challengers for Mr. Kinkel's job.

The congress, however, opted for a blander candidate, Wolfgang Gerhardt, 51, a party stalwart who, as a local ward healer in Hesse, steered his regional branch of the party away from the disasters that befell it elsewhere.

Mr. Gerhardt came to the party leadership with a less-than-thrilling image: German newspapers nickname him the "snoring lion," and political experts said his victory with 57 percent of the delegates' votes in Mainz showed the party inclining towards caution. Mr. Möllemann, his more dynamic main challenger, won 33 percent of the vote.

"We're ready to fight when our principles are at stake," Mr. Gerhardt declared after promising

a party program at odds with Mr. Kohl's policies on citizenship laws, tax cuts and a greater stress on environmental protection.

The Free Democrats' decline after decades in office as junior coalition partner is closely tied to the rise of the environmentalist Greens as the third force in German politics. The party's strategy now seems to be to try to rebuild some independence in the eyes of voters.

"The Greens are not morally superior to our free-market model for the environment," Mr. Gerhardt said. "We have lost elections, but we've never lost ideas."

One of the party's biggest handicaps is that it has simply been swamped by the Christian Democrats. Mr. Möllemann once called his fellow party members "timid lap dogs."

Before the congress in Mainz, some Free Democrats had argued that the only way to revive the party's fortunes was to push it to the right with tougher policies on immigration and nationalism. The right-wing challenge was opposed by, among others, Ignatz Bubis, head of the largest organization representing Germany's 40,000 Jews, who was elected to the party's governing board.

The Free Democrats took two positions at the congress that distanced them from Mr. Kohl's followers, supporting the lifting of the arms embargo on Bosnian Muslims and urging a speedy end to the so-called solidarity tax through which the government finances the economic rebuilding of the former East Germany.

There was a broad skepticism that the congress would halt the party's slide. Mr. Gerhardt's election "will do nothing to stop the Free Democrats' inexorable march towards irrelevance," said Dagmar Wiedbusch of the opposition Social Democrats, who have been tilting increasingly towards an electoral alliance with the Greens.

"This party has been in a rut for so long that it is hard to change," said Markus Schoenherr, a 23-year-old student who came a poor third in the leadership vote.

French Left Is Holding Own in City Voting

PARIS — The French left clung to many of its urban bastions in the first round of municipal elections Sunday, pulling almost the same score nationwide as President Jacques Chirac's conservative coalition.

Five weeks after Mr. Chirac's clear victory over the Socialist Lionel Jospin, there was no sign of a coattails "Chirac effect" that the right had hoped for.

Computer estimates broadcast after the polls closed gave the center-right coalition 43.4 percent to 42.5 for the Socialists and Communists, who were allied in most towns.

The extreme-right National Front polled 7.2 percent, less than half of the 15 percent that its leader, Jean-Marie Le Pen, won in his presidential bid, but up 2.1 percentage points from the last municipal elections, in 1989. It was enough to give the extreme right a chance of winning a few towns and holding the balance in others.

The campaign to elect 36,664 mayors and more than 500,000 councillors was dominated by local issues, corruption scandals and personalities, with many notables being re-elected against the trend of last month's presidential election.

The governing coalition seemed ready to capture Marseille, France's third-largest city, from the Socialists for the first time in more than 40 years. The conservative candidate, Jean-Claude Gaudin, won about 36 percent of the vote, to the Socialist Lucien Weygand's 31 percent, while the National Front scored about 22 percent.

As in many towns where no one won an outright majority, the outcome will be determined in a run-off next Sunday, with the National Front likely to stay in the race, splitting the right's vote and helping the left.

Mr. Le Pen's No. 2, Bruno Mégret, polled 42 percent in Viroles, north of Marseille, vir-

tually assuring the National Front of victory there Sunday. The Socialists held on to two major cities where the right had hoped to make gains — Strasbourg and Nantes.

The Socialist mayor of Strasbourg, Catherine Trautmann, who has made the city a model of modern urban development, was re-elected with an estimated 51 percent in the first round.

And in the western city of Nantes, the conservative health minister, Elisabeth Hubert, failed to oust the Socialist mayor, Jean-Marc Ayrault. Forecasts gave Mr. Ayrault a clear 60 percent majority.

The Socialists also appeared to have a good chance of capturing the Alpine city of Grenoble. The departing conservative

mayor, Alain Carignon, faces trial on corruption charges and did not run again.

Valéry Giscard d'Estaing, the former French president vying to take the central city of Clermont-Ferrand, narrowly trailed Roger Quillot, the Socialist mayor, by 42 to 40.5 percent.

In Lyon, former Prime Minister Raymond Barre of the center-right managed only a slim lead over the candidates supported by the outgoing conservative mayor, Michel Noir, who is appealing a conviction on corruption charges.

The estimated turnout of 64 percent was lower than that for the municipal vote six years ago and some commentators blamed "voter fatigue" after the presidential race.

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INTERNATIONAL

Rescued Pilot Tells How He Survived 6 Days in Bosnia

By Celestine Bohlen
New York Times Service

AVIANO AIR BASE, Italy — As he lay in the bushes near his parachute, his face in the dirt and his ears covered with camouflage gloves, Captain Scott F. O'Grady thought that a few feet away there were people looking to kill him.

"It wasn't that they were just walking around me," the 29-year-old pilot said Saturday. "It was that they were shooting their rifles, and they weren't just shooting at bunny rabbits, because I never saw any bunny rabbits. I never saw a squirrel. I think they thought they saw something that was me — and were trying to kill me."

At his first news conference since his dramatic rescue Thursday, Captain O'Grady, whose F-16 jet fighter was shot down by a Serbian missile while on NATO patrol over Bosnia on June 2, told how he managed to survive for six days in the forest, hiding by day, sleeping for half an hour at a time, moving around only at night and even then never ranging farther than a mile and a half.

He scrounged for water — even wringing a few drops of rainwater from the wool socks he was wearing — and dug for ants. And he gave nicknames — Leroy and Alfred — to two pesky cows who twice closed in on his hiding place.

Once, at the start of the news conference, Captain O'Grady broke down and cried as he listened to a tape of the radio conversation he had in the early hours of Thursday with his friend Captain Thomas O. Hanford, then flying 30,000 feet over his hiding place.

"Basher-52 reads you loud and clear," said the faint voice, barely audible over the crackling interference. "I'm alive. Help."

Later, Captain Hanford asked Captain O'Grady to name his squadron in Korea. "Juvaat, Juvaat," came the answer. "Copy that, you're alive. Good to hear your voice," Captain Hanford said.

"I am not a Rambo," Captain O'Grady said. "This is really amazing to me, all this attention I'm getting and everyone saying, 'You're a hero, you're a hero.' Nah, I'm not a hero. All I was was a scared little bunny rabbit trying to hide, trying to survive."

The captain, who left Sunday for the United States to join his family, said he was still weak. He added later that when his leave was over, he wants to go back to flying F-16s.

In a calm voice, Captain O'Grady told his tale, stopping in several places to praise his rescuers and to thank God for protecting him. But what was clear was that he felt he was in danger at all times, even as he was lifted out of Bosnia on a U.S. Marine helicopter.

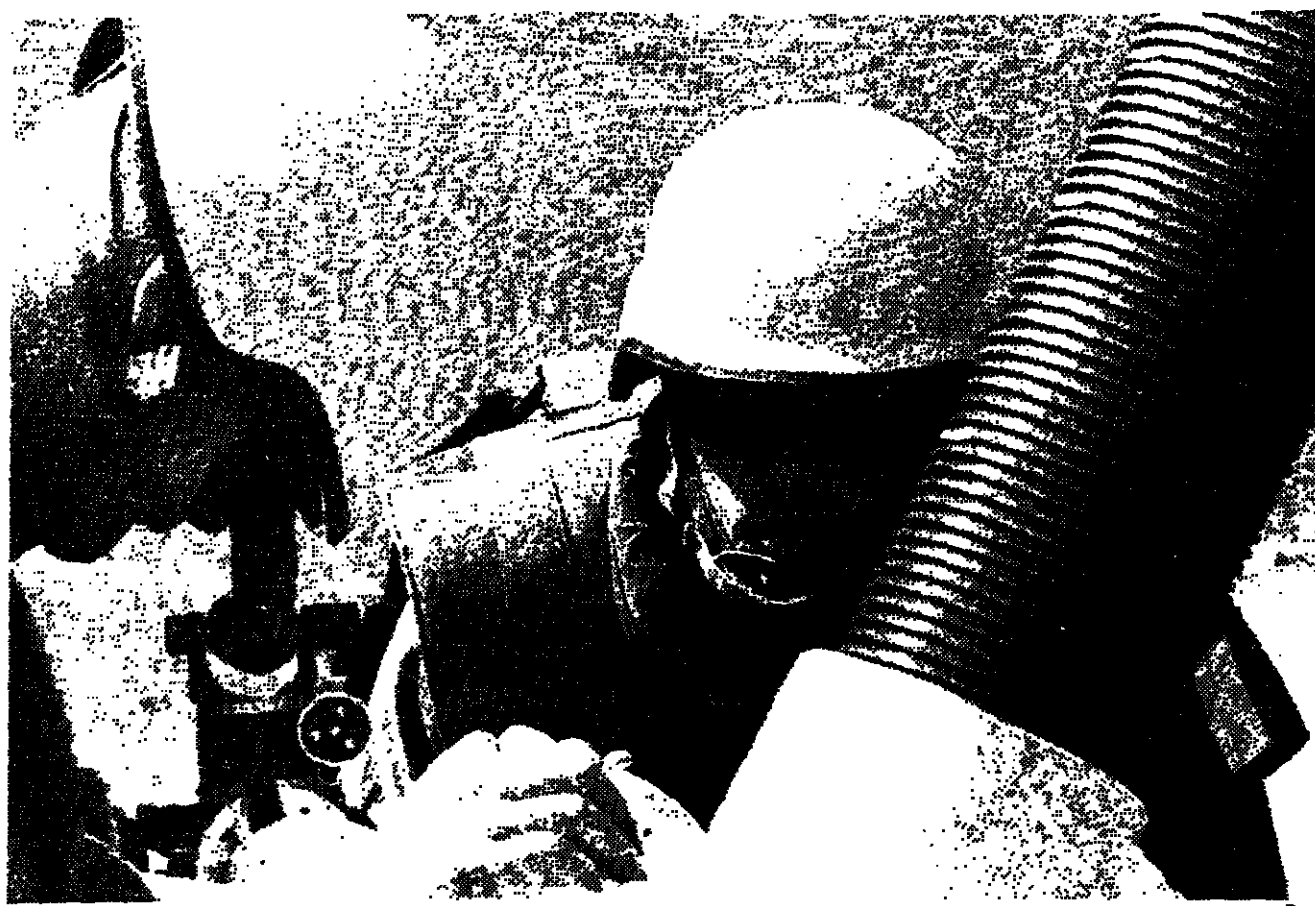
"We were flying out and the sergeant leaned over to me and says something about taking fire," he recalled. "Hell, yeah, I took fire," he said, and he said, "We're taking fire now." Later, the captain said, one of the Marines showed him a bullet that had penetrated the helicopter.

But there was also luck, starting with the missile that struck his plane but spared him. "The first thing I saw was the cockpit disintegrating in front of me," he said. "There was fire all around me, and this beautiful golden ejection handle between my legs. It was the most gorgeous sight I ever saw."

Within minutes of his landing, he could hear people poking around his parachute. "After that, people were walking right by me and that continued on for a couple of hours," he said.

A few times he heard NATO jets overhead, but only during the daytime, when he did not dare reveal himself. Finally, on Wednesday night, he activated the emergency beacon on his radio and moved into a clearing so his signal would be clear.

"As far as the rescue," he said, "I had no doubt in my mind that NATO and the U.S. military were going to do everything in their power to come in and get me, and they did."



French peacekeepers examining one of six new mortars Sunday that they are using on Mount Igman, outside Sarajevo.

BOSNIA: UN Increasingly Powerless to Fulfill Its Mission, Officers Say

Continued from Page 1

ante in order to provide a platform for the political process and diplomatic activity in trying to find a solution to this conflict," a UN spokesman, Alexander Ivanko, said.

The UN aid mission has been paralyzed by the hostage-taking and other attacks by the Bosnian Serbs, who have disrupted supplies of food and medicine to besieged Muslim enclaves for more than two months.

As a result of the hostage-takings, France and Britain have taken the lead in forming a rapid reaction force of 10,000 soldiers, whose mission will be to protect the UN peacekeepers from further harassment.

The Netherlands has pledged to send up to 200 marines, and Spain is also considering the dispatch of extra troops. The United States is not sending any soldiers but has promised logistical and intelligence assistance.

President Chirac and Prime Minister Major said Saturday after a two-hour meeting that they had agreed on a joint approach to the crisis.

As the two largest troop contributors to the UN peacekeeping force, France and Britain have emerged as the most influential powers behind the international quest for a settlement.

The rapid reaction force is to prevent our soldiers from being humiliated," Mr. Chirac said. "They can fight and they may be wounded or even killed, but they cannot be humiliated."

Mr. Major said the new force, which will be equipped with attack helicopters, tanks and artillery, will be under orders to respond to any attacks by the Bosnian Serbs.

But Mr. Major said that if the UN mission continued to be harassed, France and Britain would have to withdraw before the winter, inflicting immense suffering on all Bosnians.

Mr. Major praised the French-British military cooperation as an example of how Europe can shore up its common security. He emphasized that the presence of the European troops on the ground in Bosnia served strategic as well as humanitarian purposes, noting that they were striving "to contain a conflict which, if it is not contained, has the potential to ignite the whole of the Balkans."

In Bosnia itself, heavy fighting was reported Sunday around the eastern Muslim enclave of Gorazde, in the northwestern Bihac pocket and in the northeast around a Serbian supply route. (Reuters, WP, AP)

EMBARGO: Milosevic Secretly Sending Military Aid to Bosnian Serbs

Continued from Page 1

Although there are differences among analysts about precisely how much material is flowing from Yugoslavia to the Bosnian Serbs, American experts say that assistance from Belgrade has enabled the Bosnian Serbs to remain an effective fighting force. Even those skeptical of the reports agreed that the supply line to the Bosnian Serbs had been curtailed, but not cut off.

"Despite what Mr. Milosevic would like you to think, they have not severed their ties," a Clinton administration official said of the military deliveries. "The support is there."

That view is not universally embraced by Clinton administration policymakers, who have urged the negotiations with Mr. Milosevic, nor by the government's intelligence analysts. Some say they believe Mr. Milosevic is acquiescing in his military commanders' support of their Bosnian Serbian colleagues, rather than actively directing it. Others question the extent of the Yugoslav shipments to the Bosnian Serbs described in what one official termed "anecdotal" reports.

In response to questions, Defense Secretary William J. Perry issued a statement that said that although what he called leakage persisted, he knew of no "credible evidence" that the Bosnian Serbs were receiving a broad range of military help from the federal Yugoslav Army.

Since the Bosnian Serbs began fighting three years ago in opposition to the declared independence of Bosnia-Herzegovina, U.S. intelligence agencies have mounted extensive efforts to eavesdrop on communications and compile satellite photographs of troop and equipment movements.

This has produced persistent reports that the Bosnian Serbs have continued to receive help from the old Yugoslav Army, which is based in Belgrade, the capital of both Serbia and federal Yugoslavia. Yugoslavia now consists of Serbia and Montenegro and is dominated by Serbia.

According to American and European officials, the reports say the Bosnian Serbs' trucks, tanks and other heavy equipment are maintained with parts supplied by the Yugoslav Army.

American officials said they had evidence of regular conversations and consultations between the Yugoslav Army's general staff in Belgrade and the officers directing operations in Bosnia. They said Bosnian Serbs wounded in battle were flown by helicopter to Yugoslav military hospitals.

Intelligence reports about Mr. Milosevic's continuing role in the war raise a nettlesome question for European and American leaders. Should the West lift economic sanctions against a government that appears to be sustaining the Bosnian Serbs' war effort, even as it pledges to do the opposite?

Several American and European officials said that having decided not to confront the Bosnian Serbs directly, the West had little choice but to bargain with Mr. Milosevic. That conclusion, said a European official, has made both Washington and its European allies more eager to gloss over or play down reports of fuel and

military assistance flowing to the Bosnian Serbs.

"The guy is a key factor to a resolution," a senior American official acknowledged, referring to Mr. Milosevic. "Whether we want to deal with him or not, we have to."

The talks with Mr. Milosevic are at a delicate turn. Some of the lesser economic sanctions against Serbia were lifted last year after Mr. Milosevic announced that he would close the border with Bosnia. Now, the Contact Group of five nations trying to find a peace formula for the Balkans is offering to suspend the remaining sanctions on Serbia if Mr. Milosevic recognizes Bosnia.

The Serbian president rebuffed that offer after a U.S. envoy, Robert Frasure, insisted on an independent means of reimposing the sanctions if Mr. Milosevic reneges. American officials said Mr. Milosevic wanted that matter solely in the hands of the UN Security Council, where the Russians, historical allies of the Serbs, hold a veto.

Although Belgrade has proved adept at evading the sanctions and smuggling goods, the sanctions nonetheless hurt. By last fall, Mr. Milosevic was looking for a deal to lift them. He offered to close the border with Bosnia, and allow an international mission to monitor his compliance.

On Oct. 3 of last year, two Western mediators — Lord Owen of the European Union and Thorvald Soltenberg of the United Nations — announced that the border had been closed. At the same time, however, Lord Owen declared that oil tankers and trucks going across Bosnia to the Serbian-held areas of Croatia were not subject to the cutoff.

Immediately, American officials say, 50 to 60 oil tankers a week began showing up at the border crossings with papers indicating that they were traveling to Croatia. The international monitors had no means of checking whether they ever arrived, or whether, as many American officials suspect, they dropped their cargo in Bosnia.

Another aspect of Belgrade's support is more basic: The salaries of many Bosnian Serbian officers serving at their headquarters in Pale, near Sarajevo, and elsewhere in Bosnia are paid by the Yugoslav Army.

The air-defense radars illustrate the continuing ties between the two armies. Brigadier General Selmo Cikotic, the Bosnian Embassy's military attaché in Washington and a former Yugoslav Army officer, said the radars in Bosnia and Serbian-held Croatia remained linked to a national grid in Belgrade.

Mr. Cikotic, who was an air defense officer, asserted that the SAM-6 missile that shot down the NATO F-16 was equipped with a Russian-manufactured modification supplied to the Bosnian Serbs by the Yugoslav Army in the last few months.

Clinton Jousting With Gingrich in Surprise Debate

By Ann Devroy
and Dan Balz
Washington Post Service

WASHINGTON — President Bill Clinton and the House speaker, Newt Gingrich, were to meet in New Hampshire on Sunday in the equivalent of a town hall meeting after a delay in negotiations that began with an offhand invitation by the president that Mr. Gingrich moved quickly to exploit.

The joint appearance, which was to involve brief opening statements by both men and an hour of questions and answers before an audience of senior citizens without a moderator, resembled the candidate debates of 1992. It also fulfilled the Georgia Republican's long-sought goal of being on equal footing with the president and set up a dramatic clash between Republican and Democratic philosophies.

Mr. Gingrich said in Manchester on Saturday that he did not think he or the president should try to score points on one another, but instead should have the opportunity to lay out their differing positions on a range of issues.

"I would hope it is a very friendly, very positive dialogue and the people say afterward that it's nice to see that leaders who belong to different parties and different branches can actually find some way to deal with each other that isn't hostile," he said.

Mr. Clinton had been scheduled to be in New Hampshire Sunday to deliver the commencement address at Dartmouth College and to visit a senior citizens center in Claremont for an hour of question-and-answer with about 200 senior citizens. That was the event that was opened to Mr. Gingrich.

Mr. Clinton opened the possibility of a joint appearance when he told reporters that he would like to take Mr. Gingrich around to places in the state he visited as a 1992 candidate and engage in a joint discussion.

with the citizens of the state. Mr. Gingrich, who arrived in New Hampshire on Friday for four days of campaigning, quickly took the president up on his none-too-serious offer, but suggested other formats.

Many Clinton advisers, as they are wont to do, debated the pros and cons of the offer, and the White House chief of staff, Leon E. Panetta, held "a conference call with a cast of thousands" to decide that the president's position would be to welcome Mr. Gingrich to his event but not change its format.

Then the White House press secretary, Michael McCurry, bounced the ball into Mr. Gingrich's court, saying that he would be welcome if the event would proceed as planned as a low-key session with senior citizens.

An administration official said that once Mr. Clinton had, more or less, made the offer, he would have looked "churlish" to try to fall back on technicalities of schedule or event to try to back out.

The speaker, for his part, said he was disappointed that the White House refused to enlarge the audience to include more people from Claremont and to move it to another site. But he blamed the president's advisers, not Mr. Clinton himself.

"It was very generous of the president to offer, even if his offer was more generous than his staff," Mr. Gingrich said.

While the White House was treating the event publicly as just another sudden change in the presidential schedule, Mr. Clinton met with aides to go over the points he wanted to make.

One senior official acknowledged that the event carried little risk for Mr. Gingrich, for whom an "appearance" on the same platform with the president amounted to a political coronation of sorts, but more for Mr. Clinton. The town hall format is Mr. Clinton's favorite and one at which he usually excels. Being shown up in such a setting "would not be helpful," one outside adviser said.

MIDEAST: High Hopes for Peace

Continued from Page 1

terms of preserving buffer space that would give them time to respond to an attack. Israel's armed forces, although widely considered superior to Syria's, rely far more heavily on reserves that would take critical days to mobilize in the event of sudden war.

Israel is therefore looking for substitutes for the Golan's several military advantages: It provides a buffer against attack and a commanding view of opposing forces, and it occupies a favorably high position from which to mount a defense.

Among the measures to be negotiated are early warning systems, demilitarized and limited-forces zones, advance notice of military exercises and the stationing of outside peacekeepers.

American mediators are placing particular value on Mr. Assad's plan to dispatch Lieutenant General Haimat Shehadi, a senior figure in the Syrian leadership, to represent him at the Washington talks, scheduled to begin on June 27. General Shehadi is a member of the country's Sunni Muslim majority. Mr. Assad is from the minority Alawite sect.

General Shehadi's counterpart will be Lieutenant General Amnon Shahak, who is in his first months as army chief of staff. The U.S. special coordinator for Middle East policy, Dennis Ross, and Lieutenant General Daniel Christian, assistant to the chairman of the Joint Chiefs of Staff, will sit in on the talks, which are expected to last two to three days.

The Syrian and Israeli ambassadors to Washington, joined by lower-ranking generals, will take up the talks again two weeks later, after what Mr. Christopher called a pause to "review the results."

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René Martell Dies at 68, Headed Cognac Firm

New York Times Service

René Firino Martell, 68, who engineered the \$850 million sale of his family's cognac company to Seagram in 1988, died Tuesday at a hospital in Nice, spokesmen for the family said he died of a heart attack.

An eighth-generation descendant of Jean Martell, the wine merchant from the Isle of Jersey who founded the cognac company in 1715, Mr. Martell, who took over as chairman in 1977, significantly extended the company's reach.

By 1987, Martell, the second-youngest cognac brand after Hennessy, was a household name around the world. But for all his marketing achievements in selling cognac, Mr. Martell outdied himself in selling the cognac company.

Skillfully playing off rival bids from two giant suitors, Martell almost doubled the value of the company over six months of negotiations.

The sale of the company began in July 1987, when Grand Metropolitan, a British wine and spirits conglomerate, acquired a 10 percent interest in a deal that put the value of the Martell company at \$500 million. It ended in January 1988, when Seagram, the giant Canadian distiller, bought the entire company for \$850 million, a staggering 36 times Martell's annual earnings.

Mr. Martell, who was born in Cognac, in southwest France, was educated there, in Bordeaux and in the United States before returning to Cognac, a town of 21,000.

As chairman of a company controlled by 40 members of his family, who owned about two-fifths of its stock, Mr. Martell was regarded as a patriarch both to the company and to the town.

Parents who fled to the island in 1949, always believed in Taiwan's eventual and inevitable reunification with China — until she took her first trip there six years ago.

"I was so shocked by the conditions," she said, recalling the poverty of her ancestral village. "I still think we should be reunified. But not for 20 or 30 years. They need to be much freer and more prosperous."

Antonio Chiang, whose ancestors came here centuries ago, chafes at the way the mainlanders still dominate Taiwan's life and culture. In school, he learned nothing of the geography of Taiwan but was taught to memorize every bridge, mountain, river and railroad line in China.

The old-timers still insist this is their temporary home; they were born on the mainland, and that is where they wish to die.

"Some mainlanders, especially old soldiers, stay here 40 years waiting to go back to their home town," Mr. Chiang said. "Then when they go back, they realize their home is Taiwan now."

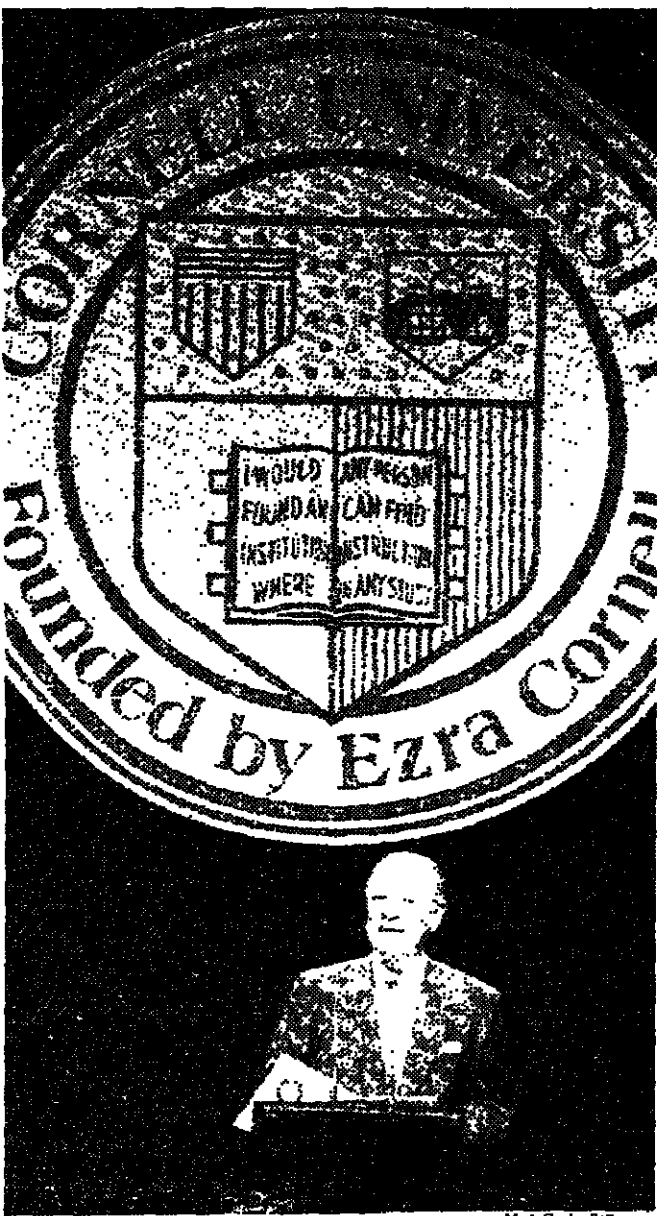
Another school of thought is that Taiwanese should simply relinquish all claims to China and concentrate on being Taiwanese and building Taiwan. Some even believe that Taiwan should declare itself an independent country — an act that the Communist rulers in Beijing have said they would consider a hostile action.

NEW DELHI — A four-day sit by Prime Minister P. V. Narasimha Rao to France got off to a slow start on Sunday after a hoax call delayed his departure by several hours.

On his trip, Mr. Rao was accompanied by 28 business executives, highlighting the importance he attaches to strengthening trade and investment ties.

ao's Flight to France delayed by Hoax Call

NEW DELHI — A four-day sit by Prime Minister P. V. Narasimha Rao to France got off to a slow start on Sunday after a hoax call delayed his departure by several hours.



President Lee Teng-hui addressing Cornell University alumni during his U.S. visit, a trip that has angered China.

In U.S., Taiwan Chief Basks Under the Political Spotlight

Compiled by Our Staff From Dispatches

ITHACA, New York — Taiwan's president closed out his controversial visit to the United States at a relaxed pace, revisiting old haunts and rekindling friendships at Cornell University.

President Lee Teng-hui also took time out for politics. At a luncheon Saturday attended by former professors and classmates, Mr. Lee listened to videotaped messages of support from the Republican presidential front-runner, Senator Bob Dole of Kansas, and 34 other members of Congress. Four congressmen greeted him in person.

The president was to arrive back in Taipei on Monday after spending Sunday night in Anchorage, Alaska.

The four-day visit was private, but Taiwan sees it as a diplomatic breakthrough.

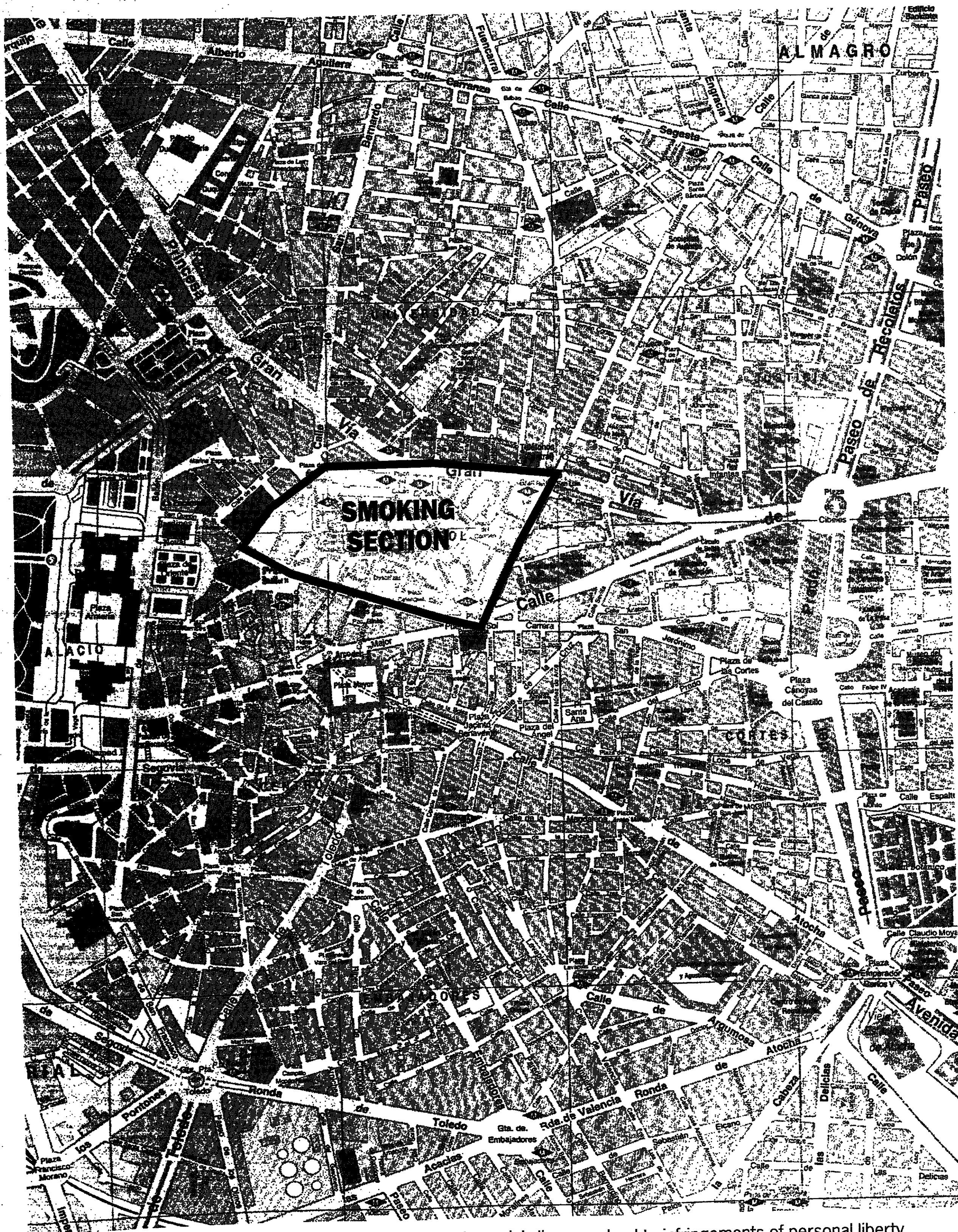
Mr. Lee's chief spokesman brushed aside China's accusations that his trip had put both Chinese-U.S. relations and the future of Taiwan in jeopardy.

"Of course, we don't see any risk," the official, Jason Hu, said at a news conference. "You don't back off from the will of the people because of blackmail and threats."

China has been angered by Mr. Lee's unofficial visit to the United States, the first ever by a Taiwan president, accusing Washington of promoting independence for Taiwan's 21 million people and subverting Beijing's sovereignty. (AP, Reuters, AFP)

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INTERNATIONAL Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

A Lesson From South Africa

South Africa, which once led the world in executions, has abolished the death penalty by unanimous vote of its new Constitutional Court.

The courageous decision leaves the United States in a dwindling company of democratic countries with the dubious distinction of executing their citizens.

This first important decision by South Africa's highest court is distinguished for its legal reasoning and fidelity to the country's democratic aspirations. The 11 judges — racially diverse and reflecting the population's Afrikaner, British and black heritage — captured the character of a country that has shed its legacy of racial division and authoritarian rule. They concluded that South Africa's 1993 constitution places high value on the human rights of life and dignity that were so trampled during generations of apartheid.

The decision was remarkable not only for advancing a human right, but for validating the rule of law. The framers of the constitution purposely left it to the court to interpret South Africa's version of "cruel and unusual punishments." The judges exercised this responsibility.

In making clear that the judiciary would indeed determine what the con-

stitution means and strike down unconstitutional laws if necessary, the decision resembled the American landmark ruling in *Marbury v. Madison*, delivered in 1803 by Chief Justice John Marshall.

South Africa's interim constitution is scheduled for replacement within two years, but its distinctive principles are expected to survive.

Unlike American constitutional jurisprudence, South Africa's basic charter puts a heavy burden on government to justify denial of the right to life and dignity. While a judge in the United States might ask whether executions deter murder, and then uphold the death penalty if it does, South Africa asks whether the state can prove clearly and convincingly that a death sentence is a significantly greater deterrent than a life sentence.

South Africa's highest court, while recognizing high crime rates, showed judicial wisdom in deflating claims that executions deter crime or protect citizens. The opinion of the court's president, Arthur Chaskalson, and 10 concurring opinions owe much to the writings of American liberal justices, but they also have much to teach the United States.

—THE NEW YORK TIMES

The Indochina Refugees

The argument over how to treat the last Indochina "boat people" is not between those who care and those who do not. It is a clash over means among people who are trying to do the right thing by the 43,000 Vietnamese and the 7,000 Laotians who are still in foreign camps but whom the United States has found not qualified to come to America as refugees.

The contest is not strictly partisan. One House Republican, Christopher Smith of New Jersey, would suspend the international effort known as the Comprehensive Plan of Action, or CPA, which has seen to the voluntary repatriation of 72,000 Vietnamese and 25,000 Laotians since 1989. He would rescind the camp population to determine who might deserve refugee resettlement as political refugees rather than repatriation as economic migrants.

A second House Republican, Doug Bereuter of Nebraska, supports the administration position: Empty the camps by CPA rules. Mr. Smith prevailed in a House vote that split both parties, and the refugee and Vietnamese-American groups too.

Mr. Smith is rightly eager to ensure that no one who fled what are still, after all, Communist regimes will be thrown back to be persecuted. But he gives too little credit to the tested CPA screening process, which has resettled 80,000 detainees, including 30,000 in the United States. In Vietnam and Laos, the UN High Commissioner for Refugees, foreign embassies

and U.S. and other nongovernmental organizations monitor the treatment of returnees. They cannot catch everything, but they check complaints of persecution, and their consensus judgment — though some advocates challenge it — is that monitored repatriation works.

The Bereuter-administration approach rests on international cooperation. Fifty nations joined in the CPA to care for people fleeing the Communist victory of the 1970s. The United States took in 1 million. Now the nearby first-asylum countries, which offered boat people temporary refuge on the basis that they would settle elsewhere, point to Vietnam's return to international good company and insist that those who remain now depart.

Word that the new Republican Congress was considering changes has led many in the camps to believe they can come to America as refugees. The resulting new resistance to repatriation contributed to the recent camp explosions.

But these people are pursuing a vain hope. Their better chance of coming to America lies in returning to Vietnam and applying to emigrate from there. The Smith bill blocks that route. Mr. Smith would admit some of them directly, that would leave the rest in limbo, and would break the international partnership by which the United States has been meeting its obligations to these refugees.

—THE WASHINGTON POST

Simpson: Law and Spectacle

Nicole Brown Simpson and her friend Ronald Goldman were murdered one year ago Monday. Time may fly for the obsessed watchers of tabloid television, but it has crawled for more serious citizens. Beyond question the trial of O.J. Simpson has already consumed enormous chunks of attention, and after 20 weeks, it may be only half over.

After all this travesty, the trial is in danger of collapsing into a mistrial. Already 10 jurors have been dismissed and only two alternates remain. Judge Lance Ito continues to grind out dismissals of sitting jurors for what he describes as "good cause" without saying exactly what that means.

Prompted by the impatient surviving jurors, he tries but fails to pick up the pace, flustering over time-consuming motions and straining jury endurance.

The famous defendant has become less familiar over time. No longer a broken-field runner or television personality, he maintains his right to silence.

His lawyers wind down his swivel chair in the mornings to make him sit lower and try to make jurors forget, despite prosecution reminders, that he is a muscular 6 feet 2 inches and 210 pounds (1.89 meter and 95 kilograms).

Platoons of lawyers, with special teams to rival pro football, divide the work and run the plays for both sides. More than usual they are hired guns, some of them ready for rematches in Chicago or Cleveland if needed for trials there. Though seasoned, they engage unprofessionally in gratuitous quarrels long after warnings from the judge.

Meantime, the ever-fallible Los Angeles police and coroner look sloppier and sloppier when it comes to the handling of evidence and the investigative techniques that were held up as national

models in the long-ago days of television's "Dragnet."

Video cameras are disclosing the foibles of a ballyhooed "trial of the century"; but are they showing a broken system? For American society, that is an important question that should not be lost in the publicity swirling around Mr. Simpson and the constellation of lesser celebrities spun off by these freshie events.

The best answer so far is that the system works, but California, which generates long trials, could use some patching.

American justice still places the burden of proof in the right place: with the state. The obsession with this particular television trial should not lead to a rejection of televised trials or any wholesale changes in the basic processes of the American criminal justice system. In the messy business of refereeing human frailty, it is still the best system yet devised by any society.

—THE NEW YORK TIMES

Other Comment

The Enemy in the Balkans

In the hope of bringing the several-sided Balkan war to a negotiated end, the Western powers have maintained as nearly as possible a neutral relationship to all the warring parties. Lives may be saved, however, if the allies can bring themselves to acknowledge the obvious. The Bosnian Serbs, having declared that the United Nations is their enemy, must be treated as the enemy they claim to be. As for the Serbian president, Slobodan Milosevic, he should be treated as the enemy's supplier rather than as a statesman and an ally in the making.

—Los Angeles Times

Japanese Trade Barriers: Something Has to Be Done

By Lawrence Chimérine
and James Fallows

WASHINGTON — While European and Asian governments have complained about the Clinton administration's regrettable but justified proposal to place tariffs of 100 percent on 13 Japanese-made cars, most agree that Japanese trade barriers threaten the world trading system.

Debate in America on the issue has been more primitive.

Many free-market economists, some pundits, and lobbyists for the Japanese and for some European interests question whether there is even a problem to be solved. Most have at least spared us the old argument that driving down the value of the dollar will eliminate trade imbalances.

The dollar has lost two-thirds of its value against the yen in the last decade, yet trade between Japan and the United States has been remarkably unchanged, even though American products are much cheaper.

But we are hearing equally tired assertions. The principal claim is that Americans import too much and save too little and that the Japanese do the reverse. But this supposed insight does not tell us which is the cause of the trade imbalance and which is the effect. Most economists take it for granted that Americans' low savings rate causes chronic, large trade deficits, because when people spend too heavily, they inevitably buy huge quantities of foreign goods.

Yet it is just as proper to argue the reverse — that the large trade deficits caused by artificial barriers to American exports help create the low savings rate. This happens because reduced exports to, say, Japan mean smaller payrolls and profits at home. With less money earned, less is saved. And less is paid in taxes, driving up the federal deficit and further depressing savings — because the government borrows to finance the deficit.

The existence of formidable Japanese trade barriers is indisputable. Studies by

the Economic Strategy Institute and other research groups estimate that if Japan's markets behaved like those of other industrialized countries, Japan would import up to \$200 billion more in goods each year than it does now. Of this, almost \$50 billion would come from the United States.

The United States should raise its savings rate to limit reliance on foreign capital and to encourage productive investment — the key to vigorous long-term growth. But even if it does, America is likely to have a trade problem with Japan unless Japan changes. South Korea and Singapore, whose savings rates are even higher than Japan's, also have large trade deficits with Japan.

Another faulty assertion in the debate over imposing a punitive tariff on Japan is that the United States is only hurting itself. Some claim that the United States should keep its markets open regardless of what anyone else does because any other course would hurt American consumers.

They ask, Why should we Americans punish ourselves by paying more for a Japanese luxury car? And they say, If the Japanese or other Asians want to penalize their own people by running a closed economy, that's their problem. We'll enjoy the benefit of bargain-priced goods.

But Americans need jobs and income to buy even bargain-priced goods. Countries that combine closed markets with aggressive exporting to the United States effectively cut the number of good American jobs and thus consumer income. Closed foreign markets also inhibit American producers from investing, supporting research and development and creating new jobs.

A third argument is that American car

companies brought their problems on themselves by being lazy and greedy — not making cars suitable for Japan's left-side driving. This is the oldest red herring of all. U.S. auto producers make millions of right-hand-drive models for other left-side markets like Britain's.

The real issue is the cartel-like structure that links Japanese parts makers, auto companies and dealers in networks that are hard for outsiders to penetrate, no matter how attractive their products.

In the auto parts business, there is no question of "wrong side" spark plugs,

The Europeans and Japanese are hypocritical to warn of a U.S. embrace of managed trade — and they know it.

microcontrollers or piston rings. At current exchange rates, many American-made auto parts sell for one-third the price of Japanese-made items.

American-made parts are of such high quality that the nation has an auto-parts trade surplus with Europe, where they are heavily used by BMW, Mercedes and other demanding manufacturers. Nonetheless, American parts have captured only 2 percent of the Japanese market. And Japanese-owned auto assembly plants in the United States use at most only 50 percent to 60 percent American-made parts.

The silliest assertion is that the administration's tariff might lead countries to embrace managed trade — government manipulation of international commerce for national advantage.

In raising this warning, the Europeans and Japanese are being hypocritical — and they know it. European trade with Japan has long been managed in a draconian way. Ever wonder why there are virtually no Japanese cars in France or Italy?

It isn't because the Japanese are not trying hard enough or have the wrong steering wheels. It is because Europeans sharply limit the number of Japanese cars they will let in each year.

The Japanese know it because their own diplomats and foreign aid specialists advise the Thais, Russians, Indonesians and anyone else who will listen that careful controls on trade and capital are the best way to preserve an industrial base. America's economy has its own mass of trade regulations and subsidies. But its markets are the most open of all the big industrialized countries. Japan's are the least open.

Ever freer trade over the last four decades has helped much of the world prosper. If there is a threat to the continued progress of this movement, it comes from those who pretend that problems with free trade — especially those created by the chronic U.S.-Japanese trade imbalance — do not exist.

The administration is at least trying to deal with this problem, which, if used, dressed, will destroy American support for free trade in general.

If those who are most concerned about saving the world trade system don't like the Clinton solution, let them come up with a better approach.

Mr. Chimérine is chief economist of the Economic Strategy Institute, a research organization. Mr. Fallows, Washington editor of *The Atlantic Monthly*, is author of "Looking at the Sun," about East Asian capitalism. They contributed this comment to *The New York Times*.

Survival Guide to the Mexico Schemes We'll Hear in Halifax

By Thomas L. Friedman

NEW YORK — One of the

hottest topics in finance these days is how to prevent another "Mexico" from destabilizing the global financial system. Finance ministers will tell you the subject has been dominating their international meetings; you will hear a lot of their proposed solutions at this week's Group of Seven summit in Halifax, Nova Scotia. WARNING: There is more nonsense than common sense in these proposals. Since some of them could cost you money, I offer this survival guide to the I-can-prevent-the-next-Mexico schemes.

1. Bad Ideas That Sound Good. The worst of these is the proposal to establish a \$50 billion standby rescue fund — administered by the International Monetary Fund — that would be ready as a life preserver to be tossed to any country dragged under the waves by global markets running amok.

I call this idea "The George Soros Memorial Gift Fund." In 1992, Mr. Soros, the billionaire currency speculator, mounted a fierce attack on the overvalued British pound, and Prime Minister John Major of Britain spent billions trying to defend his inflated currency against a devaluation.

Eventually the pound was broken. But you can bet that if there had been a \$50 billion rescue fund available in 1992, Mr. Major would have tapped it. Just as surely, that \$50 billion would be in Mr. Soros's pocket now. The more money that government leaders have to defend faulty economics and their own egos, the richer Mr. Soros becomes by exposing their foolishness.

Don't get me wrong. I am for the Mexico bailout. But I want it to be hard. Dangling a \$50 billion fund out there only

invites buccaneering governments to be reckless.

2. Good Ideas That Are Not as Good as They Sound. The best of this lot is the decision by the IMF to intensify its surveillance of financially shaky nations. The IMF used to do only a once-a-year checkup on its client countries. But it was in the months between checkups that Mexico went on the wild spending binge that caused its financial heart attack.

The IMF has now promised to keep closer tabs on its clients. But this is no cure-all. Remember: Many of Mexico's financial problems, on the eve of its crash, were hiding in plain sight. Public data showed that Mexico was running unsustainable deficits and was too dependent on hot money from abroad. These data were ignored because investing in Mexico had become a fad.

Too many foreign investors had been to cocktail parties where people were whispering: "Mexico — you gotta be in Mexico." Fads will always trump logic.

3. Small Ideas That Could Make a Big Difference.

a) Copy Chile. Chile demands that foreigners who want to buy Chilean stocks hold them for at least a year. That way if a country is practicing sound economics it won't be punished when the next Mexico crashes and jittery investors scream to their brokers: "Get me out of all emerging markets." In Chile's case, investors could not get out, and so Chile, unlike Brazil and Argentina, was not punished for Mexico's sins.

b) Save, save, save. If your country has a low savings rate, it will have to rely on other countries' savings for growth. That will make your country vulnerable to the whims of global markets and global markets vulnerable to crazy

behavior by your country. (See encyclopedia entry for Mexico.)

c) America's next global economic crusade should be to get more developing countries to adopt U.S.-style securities laws — the toughest in the world for financial disclosure, conflict of interest and insider trading.

Many of the new stock markets in Asia and Latin America are still rigged casinos, where investors are just beginning to be able. (See encyclopedia entry for Barings Bank.)

4. Fasten your seat belts, put your tray tables and seat backs in a fixed and upright position, and enjoy the ride. Because there is simply too much money moving around the world too quickly, with too few controls, and too many governments ready to do anything to get a slice of it, to prevent another Mexico somewhere over the horizon.

The New York Times

A Perilous Road in Bosnia, but No Other Path Leads to Peace

By Stephen S. Rosenfeld

WASHINGTON — A week

ago, I addressed the uncertain prospect that diplomacy might slow the turn toward further disaster in Bosnia (HT, June 5). The continuing buildup of arms and tensions makes this mission ever more urgent. There is an international effort by the five-nation Contact Group to draw Serbia into delivering the Bosnian Serbs to the group's peace plan. It may become useful to approach the Bosnian Serbs directly, sooner rather than later.

Serbia's clever president, Slobodan Milosevic, is demanding quick relief from economic sanctions for what he depicts as his central role in inducing the Bosnian Serbs to start releasing their

UN hostages. He should be careful not to overplay his hand. Even if all the original 370 peacekeepers taken hostage in Bosnia are freed, the other 20,000 peacekeepers there will remain hostage to Bosnian Serbian caprice. The 20,000 in Croatia also remain exposed. Mr. Milosevic must engage responsibly on both fronts.

In the past it was possible to imagine that the United Nations or NATO could help Croats and Muslims pound restraint into the Serbs. Croats and Muslims are still ready and of a mind to fight Serbs. But recent retreats and evasions suggest that the West is still hesitating at the doorstep of serious

military action. The implication is unavoidable. If outsiders are to head off a full-scale resumption of Yugoslav warfare — it may already be beginning at Sarajevo — then the Serbs must be offered some political inducement.

Is this too distasteful? Justice and vengeance are preferable? Then forget about diplomacy.

Let us skip past the details of what the Serbs of Serbia, Bosnia and Croatia might get in territory, political privilege and international status. Everything flows from the general attitude to the Serbs.

As Madeleine Albright, the U.S. ambassador to the United Nations, put it: The Bosnian

Serbs are "aggressors" and the (mostly Muslim) Bosnians are "victims." This view is bipartisan. Former Secretary of State James Baker, when asked, "Is this not a war of aggression from Serbia on an existing nation?" replied: "Clearly."

But in real life things are not so clear. The Bosnian Serbs are "aggressors," operators of "rape camps," perpetrators of "genocidal" ethnic murders, cowardly snipers. They deserve condemnation, isolation, demonization and punishment — the works.

But Bosnia's Serbs (and Croatia's) are also people who were transformed by the disintegration of Yugoslavia. From being part of a major ethnic group in their old country, overnight they became minorities in two new countries. Mr. Milosevic fanned the ethnic storms. But on the basis of their transformation they have a claim to something from a negotiation.

We have yet to decide whether to treat the Serbs, including the Bosnian Serbs, as morally unworthy murderers or expediently worthy interlocutors. To straddle or to pretend there is no question is to toy with diplomacy.

The Contact Group's plan is a starting point. For the group, the

American diplomat Robert Furest gave it an airing in Belgrade. Though Mr. Milosevic did not recognize Bosnia's Muslim-led government, he did offer to recognize Bosnia as a sovereign state in its international borders, a job to the Bosnian Serbs' dreams of folding their self-proclaimed ministe into a "Greater Serbia." The Contact Group wants to make it easier, and Mr. Milosevic harder, for sanctions to be reimposed if Serbia backslides. These differences and others on territory will be submitted to further negotiation.

Bosnia's Croats and Muslims but not its Serbs have accepted the Contact Group plan. The existing Muslim-Croat federation is allowed a link with Croatia, within a Bosnian union. Mr. Milosevic asks and the Contact Group accepts that Bosnia's Serbs should enjoy a parallel right to a link with Serbia, also within a union. This is part of the package Mr. Milosevic must sell to the Bosnian Serbs, even as he assigns 500 more monitors to police his (leaky) blockade of their territory.

This negotiation could at any time be undermined by irresponsible maneuver or overwhelmed by a wider war. But it would be a mistake not to keep it in play.

The Washington Post

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1895: Moonlight Ride

LONDON — The craze for eccentric sport overtook a party of young officers at Llandudno a few nights ago, and all the inhabitants of the neighborhood turned out to witness the exploit — a point to point steeplechase by night. Nine horsemen, each enveloped in a white nightshirt and wearing a nightcap, appeared as competitors. After a short delay to enable them to light their cigars, the field was despatched to a capital start amid cheers.

1920: For a Cromwell

LONDON — A meeting of the Cabinet was held to-day [June 11] with the object, it is understood, of considering the situation in Ireland, but it is authoritatively stated that no radical change in Irish policy was considered. It is said that the phase discussed was what new penal laws are necessary to enforce order. This move was has-

tened by the violent demand of members of the Unionist party at Birmingham, last night, for a "Cromwell to handle Ireland." The "Westminster Gazette" reports that Sinn Féin's release from Wormwood Scrubs were approached by "personal friends" of Mr. Lloyd George with a view to opening negotiations for an Irish settlement with Sinn Féin.

1945: War Weddings

PARIS — Members of American forces and auxiliary services are exempt from the French law requiring prospective husbands and wives to reside at least one month in France before marriage in this country, according to a French government ordinance promulgated yesterday [June 11]. Abrogation of the law in their favor was made in recognition of the fact that military duties in many cases render such residence impossible. The abrogation is retroactive.



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S.A. capital de 1,200,000 F. RCS Nanterre B 733021126. Commission Paritaire No. 61337
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PART 1

International Herald Tribune A Special Report

MONDAY, JUNE 12, 1995
PAGE 9

Aviation

Boeing Launches High-Tech Dogfight New Model Challenges Airbus For Supremacy in Wide-Bodies

By Joseph Fitchett

PARIS — The Boeing 777, a new wide-bodied airliner that went into service this month, is a \$5 billion gamble whose success or failure turns on three words: "Oh, my gosh."

If that buzz of delighted surprise erupts as passengers enter the spacious cabin, Boeing Co. has a winner in the 777, which has been designed to provide a degree of comfort and amenities that approximates the amenities of a luxury cruise.

For Boeing, the 777, the last wide-body jet to appear in the skies this century, offers an opportunity to pull up sales enough for the Seattle-based manufacturer to cruise through the current doldrums in the world airliner market.

United Airlines, soon to be followed by British Airways, is flying the 777, and Boeing has more than 150 orders for the plane, including a recently reported sale to Saudi Arabia. Reflecting the strength of the Asian market, All Nippon Airways, Thai International and Cathay Pacific all appear in the order book.

While industry experts characterized the number of orders as a disappointingly slow liftoff for sales, Boeing officials predicted that the 777 family of airliners — soon to include a shortened version and eventually to be stretched almost to jumbo dimensions — will capture an overwhelming share of a market that Boeing estimates could reach \$1 trillion in the next two decades.

"This plane will be the preferred airliner in its class because it can carry more passengers farther and faster, more cheaply, cleanly and quietly than any other twin-engine wide-body jet," said Dick Kenney, a London-based Boeing spokesman.

If the U.S. manufacturer sounds confident, Airbus Industrie can find comfort in the thought that Boeing, with its "triple

seven," has acknowledged a need to play catch-up in some respects to the competitive challenge of the European consortium's four-engine jetliners.

Airbus has matured into an entrenched rival, with a solid 30 percent market share. Airbus wants to match Boeing in a 50-50 split by 2000, and last year said it led in orders for the first time. The 777 is clearly designed to go head to head against the latest Airbus entries, the A-330 and A-340 wide-bodies.

For McDonnell Douglas Corp., the No. 3 player, Boeing's dynamism is a nightmare. The St. Louis-based company has still not found a launch customer for its low-cost, 100-seat MD-95 because Scandinavian Airlines System, long a reliable buyer of Douglas aircraft, unexpectedly gave its most recent order to Boeing.

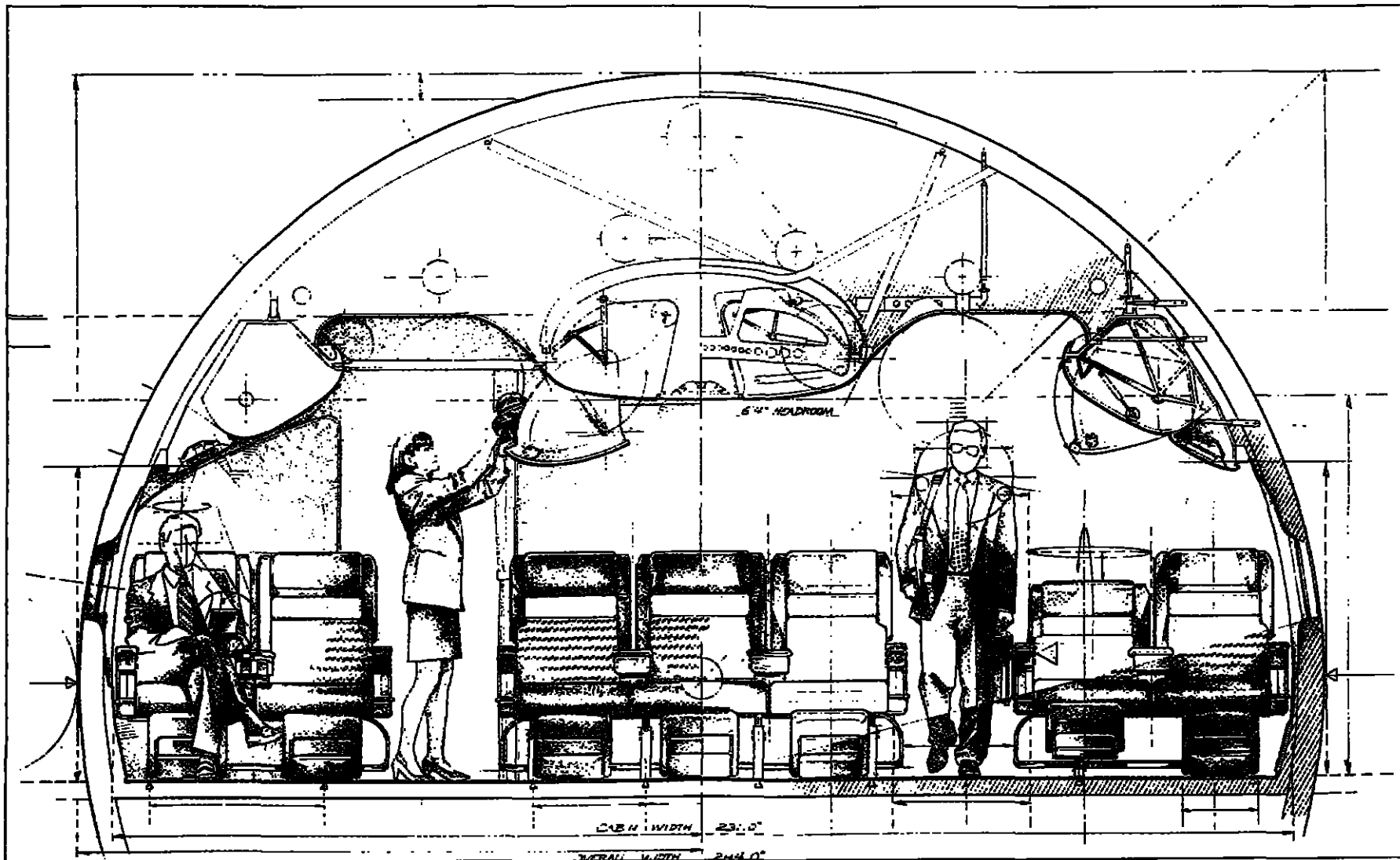
That outcome may help bring about the result predicted by John Leahy, Airbus's vice-president for sales. Airbus will prosper — and reduce McDonnell Douglas to the status of niche player — because it has succeeded in producing a family of aircraft, now including seven models, that competes with Boeing in every category except the jumbo 747.

Mr. Leahy, the first American to hold such a high-ranking post in the European consortium, came on board 10 years ago from Piper and has played a major role in selling Airbus planes in the United States and Canada. All but two major North American airlines are now customers.

Airbus has become a mature business, with its own technology, which it pioneered to break into a market dominated by the Boeing family of aircraft, including the 737 — still the world's largest-selling and most-used airliner.

The U.S. manufacturer, as a rule, concentrated on incremental improvements and shunned the risk, for itself and for customers, of radical changes.

"Boeing has a very American business culture and typically it supplies what the



Cross-section of the passenger cabin of the Boeing 777. The new airliner went into service this month for United Airlines.

market requires, no more and no less, because that is the right thing to do for shareholders," an industry expert said.

Now the 777 has assimilated some of Airbus's winning features and added its own touches.

Many of these special features of the 777 result largely from Boeing's decision to bring airlines into the plane's design right from its inception. Customers were given an unprecedented say in shaping the plane to mesh with airlines' needs and cater to passenger wishes on trans-Atlantic and other long-haul flights.

The resulting airplane looks little dif-

ferent on the outside from the 767, the company's previous twin-jet wide-body. But on closer inspection, the plane — Boeing's first all-new model since the early 1980s — turns out to have many fresh features.

A major selling point of the 777 are its clean, quiet twin GE-90 engines, designed to meet tough noise and pollution control standards. The 777 also comes with engines from Pratt & Whitney and Rolls-Royce.

From the customers' viewpoint, the novelty starts with the stylish cabin that is a result of the 777's being wider than any

other plane except the jumbo 747.

The extra width sounds small — only five inches (13 centimeters) — but it is enough for the cabin to have straight walls, standing headroom under the luggage racks and a sculpted ceiling that enhances the airy feeling.

Some of the 777's comforts include video screens for every seat. "To get the scale of this, you need to look forward from the last row and see the 300 individual screens," said an executive at United, the first airline to get this configuration.

The system offers six movie channels.

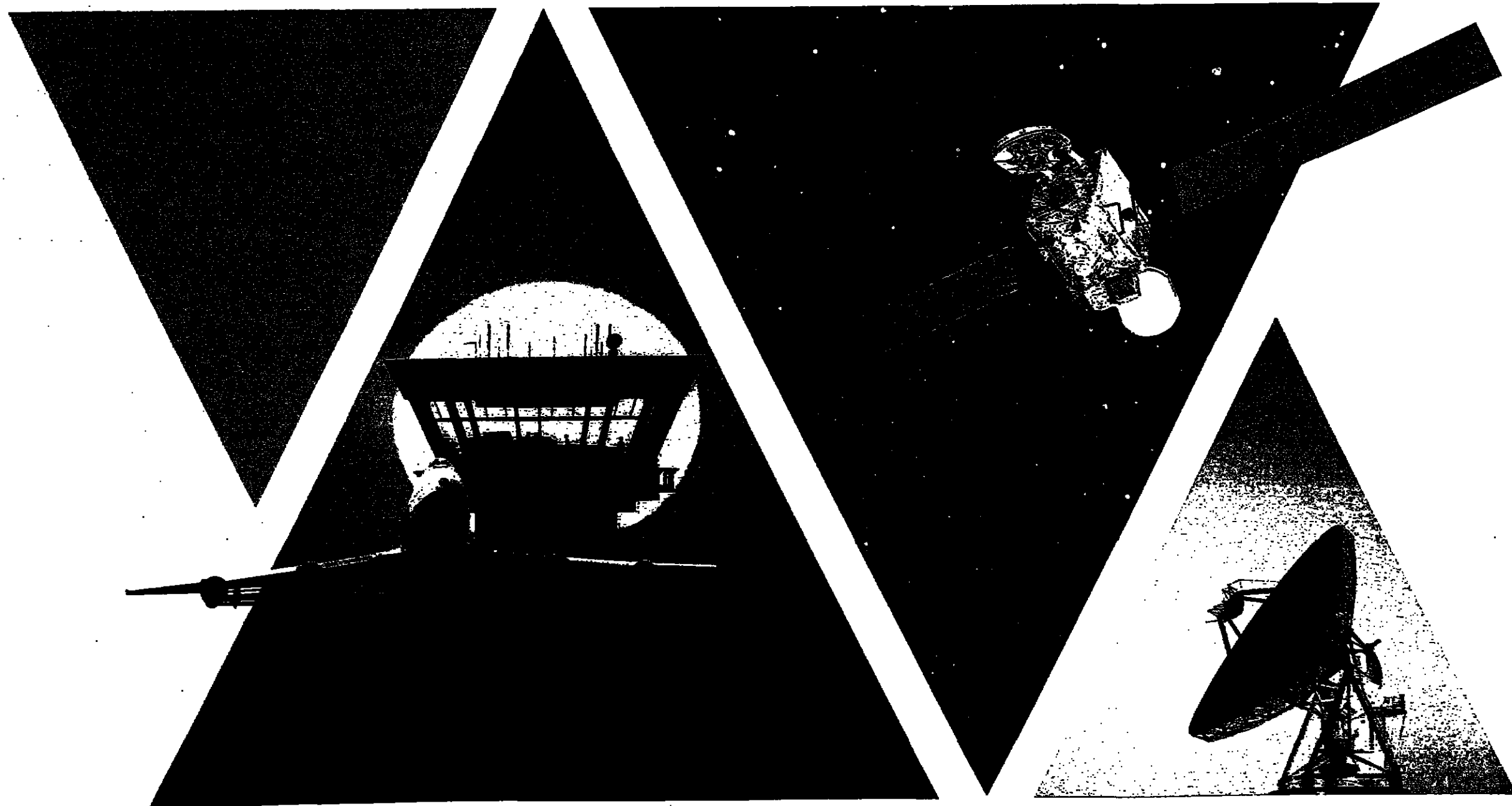
and each screen can be linked to a credit-card machine in the armrest for TV shopping on board — with the duty-free purchases to be delivered on arrival.

A Boeing executive points to the ef-

This is the first of a two-part Special Report on aviation. The second will appear June 13.

orts made to make flying less irritating, citing the 777's in-cabin climate controls that allow flight attendants to adjust the

Continued on Page 10



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AVIATION / A SPECIAL REPORT

Re Ho Boeing's 777 Takes On Rivals For Manufacturers, Prices Get Slippery

Continued from Page 9

temperature "without having to go all the way to the cockpit to ask the pilot to throw on another log."

The pilots use a yoke to fly with, not the computer-game joysticks that seem to have disconcerted some Airbus flight crews. For easier airport parking, the 777 has incorporated a device from naval aviation: wing-tips that fold up to save space.

For the airlines, the 777 is being touted by Boeing as a "service ready" plane in the sense that it is delivered after extensive testing, which earned it early certification for over-water flights.

Airlines used to need months to domesticate a newly delivered aircraft, but the 777 is almost ready to go when they get it," Mr. Kenney said.

But there is no mistaking Boeing's intent to leapfrog Airbus's comparable models and undercut the European consortium's sales argument: that Airbus offers newer designs, improved technologies and lower operating costs than Boeing.

With the 777, Boeing claims

that it has delivered '90s technology that will have powerful appeal on trans-continental routes and match Airbus in efficiency—for example, in quiet engines that allow flexibility in landing and taking off at airports with noise restrictions.

To offer this level of performance, the GE-90 engine uses turbo-fan technology to attain a new high, 9 to 1, in its bypass ratio. This means that only 11 percent of the air intake is used for noisy combustion, with its polluting by-products. The majority of the air coming in the giant scoop drives a fan acting as a propeller to provide most of the thrust for the plane.

Because the GE-90's fortunes are so heavily tied to the 777, Boeing's gamble is being shared by the companies that developed the new engine: General Electric Co. of the United States, with a 25 percent share for Snecma of France, and smaller shares for Ishijawajima-Harima Heavy Industries of Japan and FiatAvia of Italy.

Engines, which account for roughly 25 percent of an aircraft's cost, have contributed heavily to the international co-operation that has become a

feature in almost all major modern aircraft.

Mr. Leahy says that 30 percent to 40 percent of any Airbus is made by some of the company's nearly 800 U.S. subcontractors.

American companies make a bigger share of our airliners than does any single member of our European consortium," he says. Those members are Aerospatiale of France and Daimler-Benz of Germany, each of which owns 37.9 percent; British Aerospace PLC, with 20 percent, and CASA of Spain, with 4.2 percent.

Boeing has its own pattern of subcontracting, which means that up to 45 percent of its aircraft may have been manufactured outside the United States.

On the 777, the largest single overseas participant was Japan. Led by Mitsubishi Heavy Industries Ltd., Kawasaki Heavy Industries Ltd. and Fuji Heavy Industries Ltd., the Japanese group helped design and build about 20 percent of the 777's airframe.

JOSEPH FITCHETT is on the staff of the International Herald Tribune.

By Joseph Fitchett

PARIS—What sells airlines? Naturally, the right price. But prices seem slippery nowadays compared with how firm they were in better times for manufacturers.

Suddenly, there is talk of discounts, exchange-rate fluctuations, lifetime costs versus sticker price—familiar sales tools for most businesses but long considered out of place in this marketplace.

In fact, the only real surprise is that the shock has been so long in coming, especially since the squeeze for savings in the deregulated airline industry was bound to be passed on to manufacturers. With cut-price tickets for passengers and pay cuts for crews, airlines were going to have to get cheaper, too.

When sticker prices failed to come down in the early 1990s, the curve of airline sales went flat. Inevitably, companies found ways to go on flying their

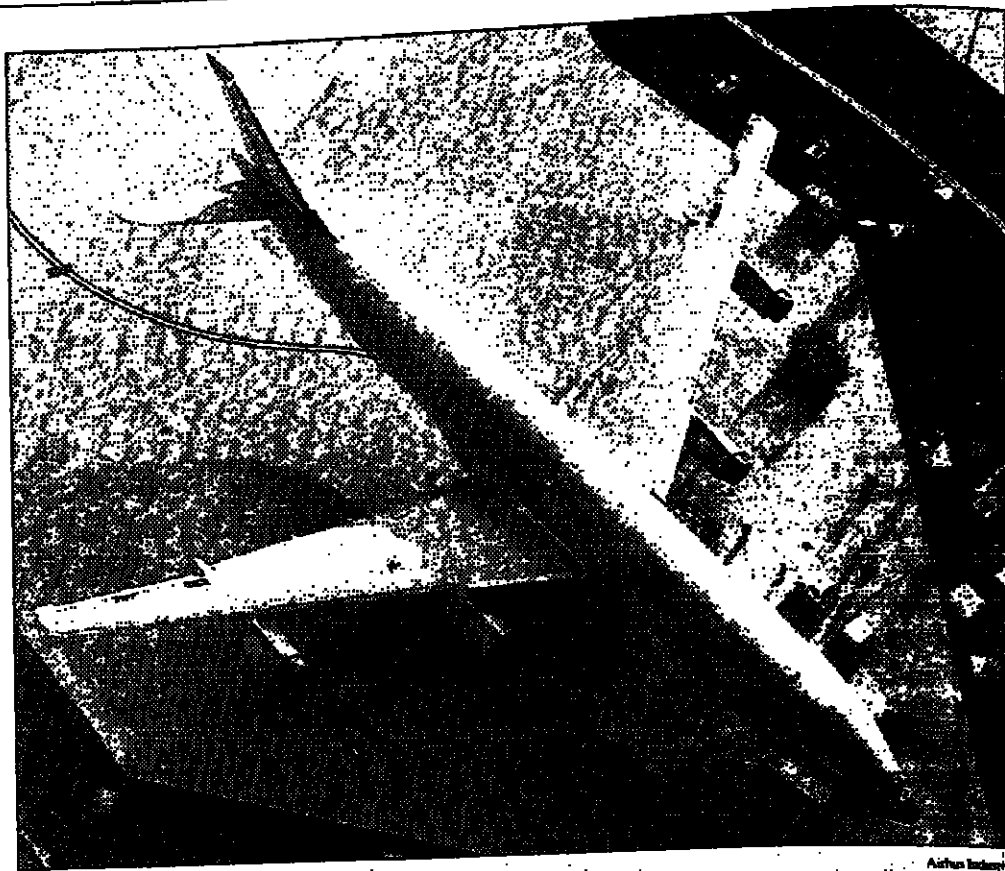
old Boeings or Airbuses—and putting off orders for new ones.

Although passenger traffic continues to rise about 5 percent a year, according to the International Air Transport Association, many fleets still have too much capacity to permit a surge of orders.

The slump has been particularly severe for such manufacturers as Boeing and Airbus, whose wide-body jets are big ticket items for any airline. A Boeing 777, for example, costs \$122 million. Both companies are tooled to turn out around 600 planes a year, but last year neither manufacturer sold more than 250.

Scratching for business, companies are quick to accuse each other of unfair tactics—for example, using concealed subsidies to maintain market share until better days. French aircraft executives regularly insinuate that Boeing uses its 747 profits to dump smaller airliners on the market at below-cost prices.

In fact, there are signs that both Boeing and Airbus have



Tighter airline budgets have led aircraft companies to negotiate on price.

engaged in price-cutting and discounts recently, a subject that gets "no comment" from John Leahy at Airbus in

Toulouse and from Dick Kenney of Boeing in London.

But industry sources said that Boeing has eased conditions in its "escalation formula," an arrangement that allowed the price tag to rise in step with inflation between the time a plane was ordered and then delivered.

Mr. Kenney pays Airbus the compliment of calling it a mature competitor, and he dismisses charges of a price war. Boeing, he said, "has a 60 percent market share, always had it and always will have it. None of Airbus's gains have come out of our hide."

In his view, the European consortium has gradually taken the place of McDonnell Douglas and smaller companies, including the European manufacturers, who have gradually abandoned their national production in favor of building their shares of Airbus.

This long view, however, offers cold comfort right now to Boeing, which continues laying off workers, or Airbus, whose member companies complain bitterly about the impact of a weak dollar.

An executive at Aerospatiale, the French state-owned aerospace company, said that every 10-centime drop in the value of the dollar cost the company 300 million francs (\$60 million) a year.

The aggressive French approach—which fueled an ambitious agenda that has served Airbus well—surfaced recently when Aerospatiale's head, Louis Gallois, accused the Clinton administration of trying to put Europe out of the aerospace industry by keeping

down the value of the dollar. Similar complaints have been voiced by Daimler-Benz AG, the German manufacturer, that matches France in its Airbus share and larger ambitions in aviation.

With 75 percent of its costs in Deutsche marks and only 30 percent of its costs in dollars, Daimler-Benz Aerospace AG, the company's aerospace unit, might be forced to shift more of its Airbus work to subcontractors in countries with currencies aligned with the dollar, an executive warned recently.

That threat of "delocalizing" jobs to countries with cheaper labor is taboo for Aerospatiale, where the strongly unionized work force could mount an intimidating challenge if the government even hinted at reducing its commitment to a national aircraft-building industry.

A more realistic hope for Mr. Gallois, even if he cannot persuade the government to privatize the company, is to find ways some outside investors, perhaps other French companies, willing to invest the 20 billion francs that he estimates is needed to restructure Aerospatiale.

And like Daimler-Benz Aerospace, Aerospatiale—where Mr. Gallois is agitating for 2 billion francs (\$400 million) in research and development funds for a successor to the Concorde in the supersonic market—can hope that its warnings will prod the government to provide funding that would allow it to explore generic technology for use in future aircraft when the market recovers.

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New Book Examines Subsidies for Airbus

PARIS—In promoting its A-340 in the late 1980s, Airbus Industrie used government subsidies as a secret sales pitch to convince potential customers that it could deliver faster and cheaper than its rival U.S. manufacturers, according to a new book by Jacques Attali, a key aide in the late 1980s to President François Mitterrand.

Airbus officials have always denied that subsidies were important in the company's development, but Mr. Attali's book, "Verbatim II: 1986-1988," reports that Mr. Mitterrand decided in February 1987 to support Airbus's request for financial guarantees to counter the American challenge.

Boeing Corp. and McDonnell Douglas "are very upset because Airbus is telling all the airlines that, thanks to its government subsidies, it can deliver the plane in three years, at a cost 15 to 20 percent lower," he writes.

In fact, Airbus had not received any guarantees at this juncture, the book says, adding that Mr. Mitterrand immediately wrote to Airbus pledging his help in getting support from France and its European partners.

Official backing was seen as important for Airbus in lending credibility to the European consortium's claim that it would be able to come through on time and on budget, mainly with a new engine designed to power the A-340 on trans-oceanic routes. The engine, the CFM-56, was created by General Electric Co. of the United States and Snecma, a state-owned French engine-maker.

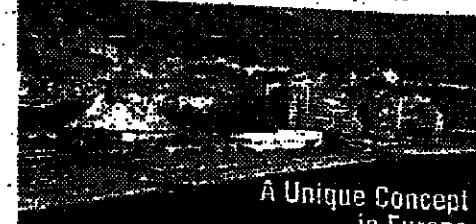
Defending its reliance on government help, Airbus has often charged that Boeing and McDonnell Douglas received help themselves, including hidden subsidies in the form of research and development spending on military aircraft.

— Joseph Fitchett

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AVIATION / A SPECIAL REPORT

Time-Sharing Helps Bring Corporate Plane Market Out of the Doldrums

By Lawrence Malkin

NEW YORK — It's Friday in Caracas and you have to be in Kazakhstan on Monday to close an oil drilling deal. Not even the Concorde covers that route, and as for making connections via Miami and Moscow, forget it.

Pick up the phone and call for your own plane — or at least your part of it. No, you don't get just a wing and a prayer but a business aircraft that has been split into time shares like a vacation condominium. What each owner really buys is the right to call on a fleet of planes, one of which is guaranteed to be ready to take off on a few hours' notice from the airport of his choice.

After years of stagnation, the U.S. market for business jets is expanding. Time-sharing is a major force behind that growth.

It may be less than chic for an executive to boast that he owns just one-eighth of a jet, said Bob Zaskin, aviation market specialist at Avitas consultants. "But the price of a whole one has become so high that it has become harder and harder to justify a purchase."

The idea has helped revive the fortunes of Raytheon Co. through increased sales of its Hawker 1000 business jet.

Time-sharing has also been a boon for Cessna Aircraft Co. In the largest single order for business jets in history, NetJets, based in Montvale, New Jersey, bought 25 of the company's medium-range Citations last year.

Only Dassault Aviation SA of France, which sells about two-thirds of its business jets outside Europe, is standing aside. The company said it thought owners of its top-of-the-line Falcon jets would be unwilling to share.

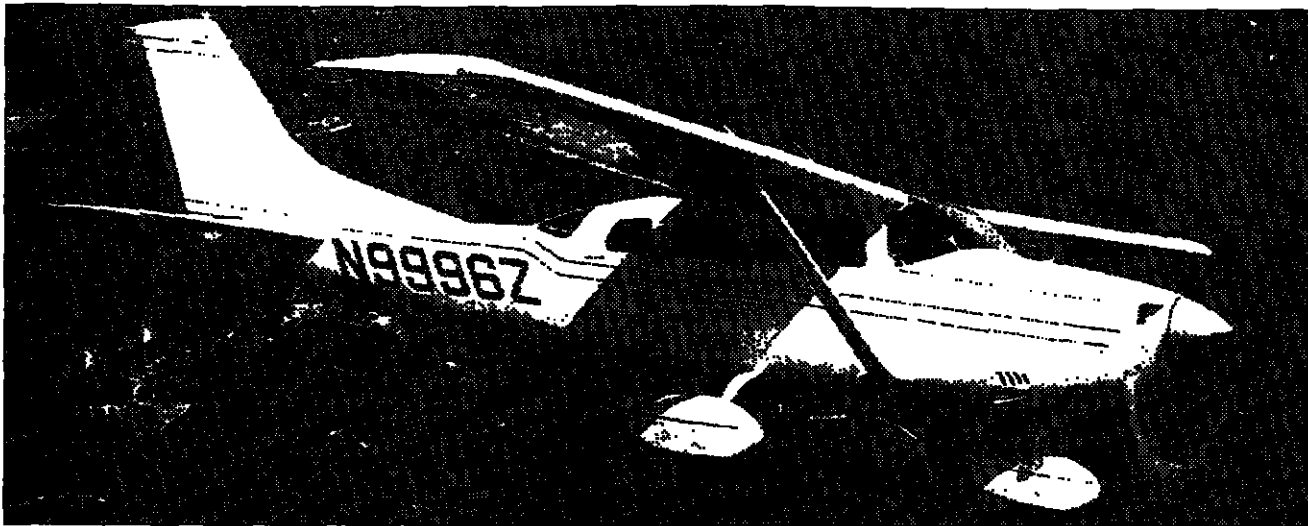
When Raytheon was having trouble selling Hawkers whole, NetJets was able to sell them in pieces. In the latest issue of The New York Observer, an upscale weekly, NetJets advertises a new Hawker 1000 — "stand-up cabin, coast-to-coast range: \$1,538,000." That is an eyebrow-raising price for a \$12 million plane.

Bombardier Inc. of Canada has just set up a competing service called Business Jet Solutions to help move its Learjets and Challengers straight off the assembly line. The time-sharing company is a joint venture with AMR Corp., the parent company of American Airlines. AMR will handle service, maintenance, and scheduling.

The time-share movement has spread to Europe through JetNetwork, which is building on the widespread charter contacts of its parent, Air London International PLC.

"There is a great pent-up demand for this type of shared ownership in Europe because it is completely anonymous," said Michael Riegel, managing director of Jet Network. "Whether it is Swiss investors who don't want to be seen, Italians afraid of kidnapping, British or French entrepreneurs trying to seize new business, or big public companies, people will go to any lengths to keep their corporate jet out of the newspapers."

In the United States, the company jet has also become an ostentatious badge of shame as corporations lay off workers. But



Companies can now buy access to a fleet of business aircraft for a fraction of the price of one plane.

at the same time, it has become more necessary as businesses decentralize and the commercial airline hub-and-spoke system turns a one-day trip into a grueling two-day obstacle course.

Corporate jets can take the most direct route by using up to 5,000 U.S. airports, and Mr. Riegel said similar point-to-point connections would jump European frontiers.

The inventor of the time-share system used by NetJets, a unit of the privately held Executive Jet Aviation Inc., is Richard Santulli, former head of leasing for Goldman, Sachs & Co. A mathematician, he

says that the key to the system was \$2 million in computer software for managing his fleet. Starting in 1987, he spent at least \$35 million for a fleet of "dedicated planes, dedicated crews, and dedicated maintenance because you can't cannibalize from a charter fleet."

The customers he sought were small and medium-sized companies unable to afford a plane of their own.

Here's how it works: A company trying out its first plane buys a one-eighth share in one of NetJets's fleet of 24 six-passenger Citations. Its \$330,000 capital cost is tax-

deductible for business purposes just as if the company owned all of the \$2.5 million plane. A one-eighth share entitles the company to 100 flying hours a year, and it pays an additional \$6,000 a month for insurance, crew and parking. Double those figures for a one-quarter share, plus \$1,120 for every hour actually in flight for fuel and catering.

The meter starts ticking only when the owner is aboard — and he does not have to pay for an empty return flight. The moment the part-owner disembarks, the plane and its crew are free for the next flight, usually

at a nearby airport.

The planes are not based at any particular airport, but are regularly maintained at the NetJets service center in Columbus, Ohio. All this guarantees fixed and predictable costs. Owners may also sell back their share to NetJets at market prices, trade up to a larger plane.

The top of the line is the long-range Gulfstream, a luxury plane that sells for about \$25 million.

The number of "owners" in NetJet aircraft has increased from 150 to 242 less than a year. The company says clients are split about equally between companies and wealthy investors, some of them tired but still big financial players.

In Europe, Mr. Riegel's Jet Network is beginning with Citations, whose 1,500-mile (2,400-kilometer) range allows them to reach most of the continent's big cities. Charter customers can apply part of the fees toward buying a plane share, and a network of financial advisers, yacht brokers, and even two minor members of royalty has been organized to spread discreet word of the service.

The most difficult part was building a legal structure so that deductions for the costs of each plane could be shared among up to six different tax jurisdictions. This proved so complicated that Mr. Riegel regards the solution as such valuable proprietary information he will not tell anyone how to do it, except lawyers for the prospective owners.

LAWRENCE MALKIN is New York correspondent of the International Herald Tribune.

Top-Flight Carriers Find Easier Financing Available for Aircraft Purchases

By Aline Sullivan

LONDON — After several painful years, aircraft financiers are once again vying to supply funds to the world's airlines. But for the best deals, only the most creditworthy carriers need apply.

Severe competition among French and Japanese banks for the top airline risks has cut interest rates by almost half for some financing arrangements, according to analysts and bankers. Terms of return and the calculation of residual values are also more to the buyers' liking, they said.

Financiers remain enamored of the aviation industry despite the heartaches caused by the plunge in aircraft prices and the performance of airlines earlier this decade. Loans secured by aircraft are still perceived as safe long-term investments.

Indeed, airplane prices have already started to recover thanks to a shortage of certain types of aircraft. Bankers also ex-

pect sunnier days for the carriers as air traffic picks up and restructuring programs begin to pay off.

In many countries, aircraft financing is made more attractive by government export credit guarantees and generous tax concessions.

Also, bankers privately acknowledge, there is the glamour aspect. Many banks and brokerages have dedicated aviation finance departments larger than those concentrating on more lucrative, if more mundane, industries.

In Japan, banks and leasing companies are further motivated by the conspicuous absence of other business. As one analyst put it: "Japan Inc. isn't borrowing any more, so the banks have instructed their international branches to arrange aviation deals."

That said, the leading Japanese lenders — Long Term Credit Bank of Japan, Sumitomo Bank Ltd., Mitsubishi Bank Ltd., Mitsubishi Trust and Banking Corp., and Sanwa Bank Ltd. — remain extremely

conservative in their lending policies. In what has been described as a continued flight to quality, only the strongest Asian and European airlines or those most likely to benefit from the expected growth in the Chinese aviation market are considered likely prospects.

According to bankers, these chosen few are: British Airways PLC, China Air Lines Ltd., All Nippon Airways Co., Japan Air Lines Co., Thai International Ltd., Cathay Pacific Airways Ltd., China Northern and Swissair.

Among the many financing options open to these eight carriers are Japanese leveraged leases. These allow suppliers generous tax concessions, enabling them to pass on significant savings to their borrowers.

Of course, the stronger the airline, the better the deal. A deal with Japanese lenders allowed British Airways to cut its borrowing costs by 40 percent for its new Boeing aircraft, according to analysts, while China Air has cut its borrowing costs

by 25 percent. On average, airlines are now paying interest rates that are 35 basis points, or 0.35 percent, over the London Interbank Offered Rate, down from 50 basis points a year ago.

All told, Japanese lenders account for about 25 percent of total aviation financing, down from 35 percent a year ago.

Like the Japanese, French financiers target the top carriers and the very best of the second tier. But, according to Steven Dexter, aviation analyst at Kemper Investment Management in Chicago, there is plenty of demand for finance in every corner of the aviation industry.

"A lot of the airlines and lessors are running low on planes and will be forced to order soon," Mr. Dexter said. "We are at the beginning of an upswing in orders. The upswing in deliveries will come in 1996."

Charles Donald, analyst at UBS Ltd. in London, said he also expected a surge in aircraft orders over the next few months. "Many airlines are finding that their fleets

are nearing the end of their lives," Mr. Donald said. "We expect deliveries to hit a low this year and then grow substantially thereafter. It will be interesting to see who actually gets financing."

Most of what is perceived as the second rank will probably be successful in obtaining financing, analysts predicted. This group, which includes many European and Asian airlines and the top North American carriers, should benefit from the participation of more banks in the markets.

Recent entrants have included ABN-AMRO Bank of the Netherlands and several regional German banks.

The shakier airlines, however, will find the going tough. The competition for the business of their more creditworthy rivals has not trickled down.

Instead, those carriers have been left with little access to financing apart from the relatively expensive assistance of aircraft manufacturers. Many of these carriers, most notably the small U.S. airlines, have been forced to cancel or cut back their

orders in recent months despite the projected upturn in the aviation business.

All told, an estimated \$25 billion will be required each year until the year 2000 to finance purchases of new aircraft, according to Air Finance, a London-based industry magazine. It further predicts that 10 percent to 20 percent of that total will be raised unless new forms of financing are developed.

Plenty of effort is being expended with this aim in mind, particularly in the United States, where the shortage of financing is most acute. Banks, manufacturers, export credit agencies and other lenders are coming up with arrangements. Citibank, Boeing, the Irish lessor GPA, and the U.S. carriers United Airlines and Northwest have participated in recent agreements. Eventually, such arrangements could finance up to \$10 billion a year in aircraft orders, analysts predicted.

ALINE SULLIVAN is a journalist based in London.

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AVIATION / A SPECIAL REPORT

Europe's Warplane That Wouldn't Die

By Joseph Fitchett

PARIS — The Eurofighter — which has fallen far behind its original delivery dates in the 1990s and has now been rebaptized "Eurofighter 2000" — continues inching toward production and will make a public debut this year. Now apparently past the point of no return, the Eurofighter project seems to have fared almost as well as the rival planes being built by a single nation in the most critical test of all these days: weathering the initial turbulence caused by the crash of Soviet air threat.

All these new warplanes — including the F-22 in the United States, the Rafale in France and the Gripen in Sweden — illustrate a governmental tendency to stretch schedules to postpone costs and keep door ajar for new technologies.

For the Eurofighter, these delays were compounded by post-Cold War wars and industrial strategies diverging on the partner governments: Britain (1 Germany, each with 33 percent of the jet, Italy with 21 percent and Spain with 13 percent).

The radical reappraisal in Bonn, which one point posited pulling out of the jet, is no longer causing delays: The German government recently reached a settlement with Daimler-Benz Aerospace AG, the aerospace division of Germany's

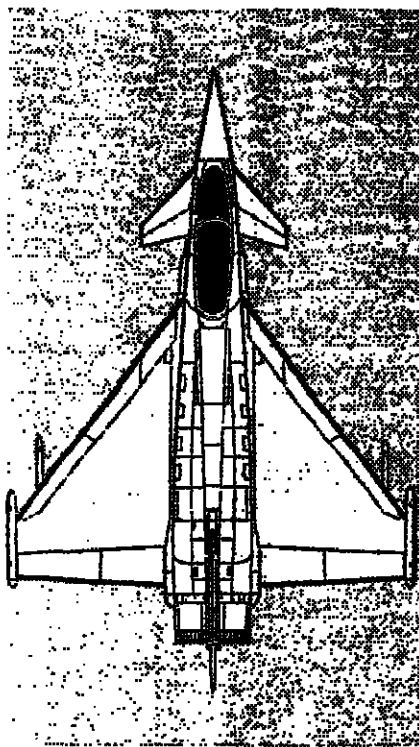
giant company, Daimler-Benz AG, to buy 500 million Deutsche marks (\$354 billion) for the extra development work posed by a review that started in 1992.

More disputes lie ahead. Since Germany decided to order only half as many of twin-engine planes as Britain, which aims to purchase 250, London wants to take over leadership of the consortium and bigger share of the industrial work.

Problems with this interface were compounded for crashes involving test versions of the Swedish Gripen, including a spectacular one in Stockholm's harbor, and the away crackup of an F-22 Raptor built by Lockheed.

Pushing the flight envelope, these new planes make extraordinarily high technical demands on the electronics that keep them

able. Politically, however, criticism of these expensive projects has been so strong at a single crash, at the wrong moment, could jeopardize them, industry executives



The Eurofighter may debut this year.

The cautious approach for Eurofighter — perhaps the most vulnerable to cancellation — seems to have paid off in avoiding a disastrous incident.

Of course, the price has risen to the point where a recent German report, from the government auditor's office, said each plane will cost 150.5 million Deutsche marks, plus 20 million DM for their weaponry. The German Defense Ministry, which initially forecast that the fighters would cost 103 million DM each, said the auditors' figures were out of date.

Even at the higher price, German aerospace officials said, the Eurofighter, now that more technological improvements have been incorporated, "resembles a cheaper version of the F-22."

U.S. officials contest that view, saying that the F-22 is a superior warplane, largely because it has more "stealth" features.

But the compromises about Eurofighter's final design may turn out to improve its export potential. At German insistence, the plane will be delivered in a bare-bones version with a range of optional extras — a formula that could appeal to Poland and other governments in Eastern Europe.

The Eurofighter consortium has already started a program of leasing Tornados, the preceding European fighter, to prospective customers, including Italy and possibly Poland and a Gulf state.

For Germany's partners in Eurofighter, it was vital for the program to continue because their aviation industries have become so dependent on it. Different parts of

the plane are made by the national companies: for example, the fuselage comes from Daimler-Benz (Dassault-Dornier), the right wing from Italy's Alenia SpA, and the left wing from Spain's Construcciones Aeronauticas SA and British Aerospace PLC, which also makes much of the rest.

Cumbersome as it is, this elaborate industrial arrangement has survived because the stakes in military aviation have shifted: As Eurofighter demonstrates, people in the industry say, the survival of major programs, even at the cost of the long delays that are inevitable in any collaboration, has become more important than briskly keeping pace in a tense arms race. Preserving jobs in this sector has become the overriding concern.

In Germany, despite strong national ambitions in the aerospace industry, budget cuts have halved the work force in the defense sector since 1990, down to 140,000, and German unions contend that another 40,000 jobs are at risk unless major new projects similar to Eurofighter are forthcoming.

THE challenge, analysts say, is to avoid losing out industrially. "There's no longer a race to produce a bigger bang than the Soviets, so the whole process has slowed down to the point where some of these planned aircraft may never be built," said Ken Petrie, an aviation specialist at the International Institute of Strategic Studies in London.

For military planners, the temptation is to consider skipping a generation of warplanes and waiting until radically new technology becomes available.

For example, some U.S. armed services — confident that existing U.S. fighters provide air superiority against any foreseeable foe — might deem their money better spent buying a new version of the BAE/McDonnell Douglas Harrier jump jet, which proved its combat value in the Gulf War.

For governments, however, the choices are more complicated. The military rationale has to be weighed against the industrial logic of staying in the business and the economic pressure of cheaper price tags for planes bought off the shelf.

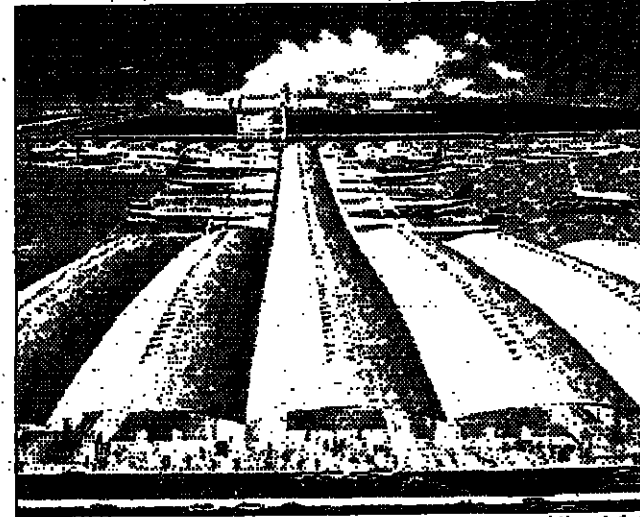
Any new warplane has to compete against well-designed modernization programs for proven aircraft. The F-15E Strike Eagle now delivers a payload equivalent to the destructive power of a B-17 bomber. A similar upgrade is planned for the F-16.

No government can ignore these cheaper offers. For example, the French government, which wants the Rafale in service fast in hopes of scoring export successes, has nonetheless forced two price cuts on the manufacturer, Dassault Aviation.

Russia's efforts to sell MiG and Sukhoi fighters abroad has put pressure on prices in some markets. Already, Israel has become adept at revamping the technology used in Soviet warplanes.



Aerial photograph of the site of Chek Lap Kok Airport near Hong Kong (left) and drawing of the finished terminal.



Southern China Sees an Airport Boom

By Jon Liden

HONG KONG — By the year 2000, the Pearl River Delta, an industrial dynamo of southern China that includes Hong Kong, Guangzhou and Shenzhen, will have five new airports, making it potentially the busiest air-traffic center in the world.

Shenzhen, next door to Hong Kong, was first — opening an airport in 1991 that serves an area that has boomed as Hong Kong companies have shifted a large share of their manufacturing across the border.

Nearly 3.2 million passengers and 61,500 tons of cargo were moved through the airport last year, an increase of 25 percent and 42 percent respectively over 1993. The airport has already expanded its runway and cargo areas.

Another Hong Kong neighbor, Zhuhai, just opened its airport. Although it is a domestic airport, it can handle 10 million passengers and 400,000 tons of cargo a year and is expected to apply for international airport status in 1997.

Only a few kilometers away from Zhuhai, the Portuguese territory of Macao is soon to open an international airport with an annual capacity of 6 million passengers in its first phase and a doubling of that in a later phase.

Apart from serving as a gateway to the busy western Pearl River Delta, Macao International Airport hopes to become an alternative to Hong Kong, whose overburdened Kai Tak airport is forced to turn away flights.

But Hong Kong is fighting back. At a total cost of \$9.06 billion, its new Chek Lap Kok Airport ranks among the largest construction projects ever. With an annual capacity of 35 million passengers in its first phase, it will dwarf the other airports in the region when it opens in 1997.

Finally, northwest of Hong Kong,

Guangzhou's Baiyun Airport is bursting at the seams, with 10 million passengers last year. The first phase of a new, \$1.8 billion airport is to start operation in 1998, eventually replacing Baiyun.

This airport-building frenzy is a reflection of the region's wild growth rates. Zhuhai developed from a fishing village of 10,000 people to an industrial glass and concrete center of 600,000 inhabitants in 15 years. Shenzhen has seen 30 percent economic growth annually for 10 years. Stunned out of its 200 years of slumber by the industrial revolution north of the border, Macao has seen a spurt of development, with a few old Portuguese facades buried in a forest of new skyscrapers.

The problem is that all these airports have an ability to handle 75 million passengers a year, nearly equaling China's total passenger traffic volume for 1994. Some worry that the Pearl River Delta will have too much of a good thing, at least temporarily.

"You will see a fairly strong competition among the different airports, even after both Hong Kong and Macao are taken over by China," said Zayong Koo, an aviation analyst at CS First Boston in Hong Kong. "You will probably see that airports such as Zhuhai and Shenzhen will try to attract traffic by offering lower landing costs."

Hong Kong reverts to Chinese rule in 1997, while Macao will become a Chinese territory in 1999.

All the new airports are owned and run by local governments or government-owned companies that are eager to recover investment costs. In addition, both Shenzhen Airport Group and the authorities in Guangzhou are hoping to attract private-sector investment.

"The Chinese are working to remove a number of structural obstacles to private-sector participation in equity and debt financing for large infrastructure ventures," said Sheldon Trainer, an associate at Mor-

gan Stanley in Hong Kong. Until then, he said, "it is unlikely that you will see significant foreign participation in the financing of Chinese airport facilities."

Richard Siegel, deputy director of the Civil Aviation Department of Hong Kong, agrees that there will be competition between the new airports, but he says he is not worried about the prospects for Chek Lap Kok. "I think the different airports will compete, but they will also complement each other," he said.

Kong Dong, president of Shenzhen Airport Group, is also undeterred by the prospect of empty runways. Calling predictions of a doubling in passenger and cargo volume handled by Shenzhen Airport by 2000 "on the safe side," Mr. Kong said that, according to economists, the Shenzhen economy would grow 16 percent a year from 1996 to 2000.

Undoubtedly, he said, "Shenzhen Airport passenger and cargo volume will snowball subsequently."

The optimism is founded on national Chinese forecasts, predicting that air traffic will increase from 78.4 million passengers last year to 95 million in 1995 and 170 million in 2000, 4.6 times the level of 1990.

That figure, as well as the proximity of the five new airports — they lie in an area of less than 9,750 square kilometers (3,600 square miles) — raises concern about the air safety in the Pearl River Delta.

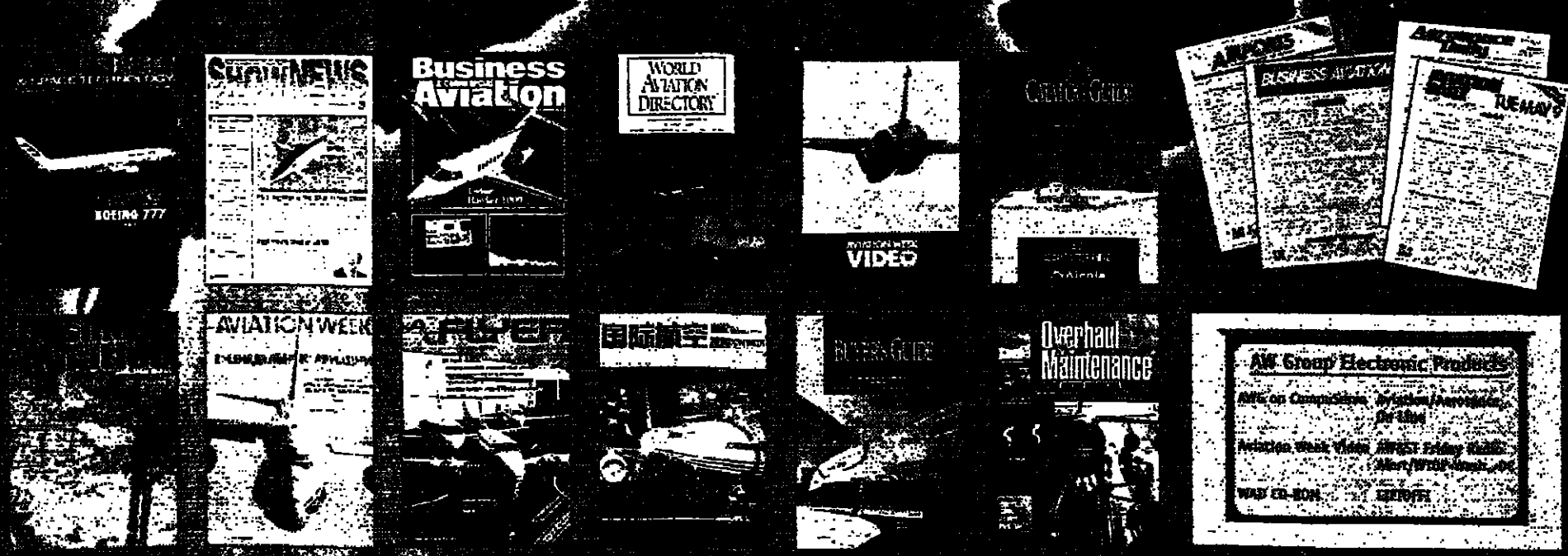
China has one of the world's worst air safety records, and several recent accidents have been attributed to inadequate air traffic control or poor communication between crews and control.

But Mr. Siegel argues that there is excellent air-traffic-control cooperation among China, Hong Kong and Macao. "We are confident that this good air traffic structure will be maintained," he said.

JON LIDEN is a writer based in Hong Kong.

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AVIATION / A SPECIAL REPORT

Paris Looks to Bonn to Get an Ambitious Spy Satellite Program Off the Ground

By Joseph Fitchett

PARIS — When Pierre Lellouche announced that France's future as a military power depended on satellites, not Rafale warplanes and Leclerc battle tanks, he drew attention by saying the unsayable about Europe's strategic shortcomings.

In an interview with the newspaper *Libération*, Mr. Lellouche, a member of the French National Assembly and the diplomatic adviser to Jacques Chirac during his presidential campaign, said the Rafale aircraft and Leclerc tank, projects that employ tens of thousands of potential voters, were "Cold War weapons" and less sophisticated than rival American products.

He promptly suffered the fate of prophets in their own countries. Mr. Chirac, a few days before winning the presidency, had to separate himself from Mr. Lellouche's comments and come out strongly in support of continuing the Rafale, manufactured by Dassault Aviation SA, and the Leclerc tank, produced by the state-owned GIAT Industries.

But Mr. Lellouche and his agenda are not going away. The outcry over his comments sprang from his tactlessness in that involve so much money and so many jobs. An older politician said: "You never try to kill a program that is under way until you have a ready alternative to promise the same service and the same industry."

Significantly, no one seriously challenged Mr. Lellouche on his strategic thesis: A glaring weakness in the arsenal of France — and the rest of Europe — is the lack of overhead reconnaissance and cargo

planes capable of carrying troops and equipment long distances. To help remedy the situation, Airbus Industrie, the European consortium, recently announced plans to develop a military transport plane.

France almost single-handedly has started a military satellite program, but any credible plan to sustain and broaden it depends on bringing in German help. A French-German tandem, experts say, could drive a program providing overhead reconnaissance of the type European governments will need to cope with the contingencies of the post-Cold War era.

Support for a military satellite program has crystallized in Germany, partly for the reasons of military self-sufficiency and political prestige cited by Mr. Lellouche, and partly because of German industrial ambitions.

Daimler-Benz Aerospace AG "has set its sight on seizing the lead in satellites in Europe," an executive at a French missile manufacturer said. He predicted that Germany would succeed in becoming the primary European producer of satellites by the end of the century.

A key stepping stone in this industrial strategy is a deal merging the satellite work of the German company with that of France's state-owned Aerospatiale. The two governments seemed near to closure early this year, but the deal was put on hold until it could be reviewed by the new Chirac government.

This elusive cooperation, which has been pursued for years, has foundered on the complexities of an interlocking approach that tied the formation of the new company to German participation in it.

A combination of frustration and urgency has finally convinced Paris and Bonn to delink the two issues. The political

sensitivities about the status of Aerospatiale are liable to become more acute because of a looming battle in France about the future of state-owned monopolies and the outlook for workers in the public sector, which is heavily unionized.

For military planners in France and Germany, there can be no doubt about the urgency of a deal. Helios I, a photographic satellite, will be launched this year. It was built by two French contractors, Matra-Hachette SA and Aerospatiale, for a French-led consortium set up in 1987.

But even with financing from Italy (15 percent) and Spain (5 percent), the program has become too expensive — and perhaps too important — to continue without major German participation.

Europe is beyond asking whether to get into the spy satellite business. Now the question is how.

The critical step, alongside the production of Helios II, is the development of a more expensive radar-imaging satellite, initially called Osiris and recently renamed Haurus, another Egyptian sun deity whose name is considered more attractive to Germans.

This array offers obvious advantages. For one thing, Germany has always preferred a radar-imaging satellite that could cope with the cloud cover in Central Europe.

In addition, combining photographs and radar images reveals a wealth of extra di-

mensions and information — "like putting two one-franc coins in your pocket and finding that it gives you a five-franc piece," a German aerospace executive said.

Even with three satellites in orbit and a little help from Spot, the civilian satellite that provided useful intelligence to the allies in the Gulf War, a multinational effort is required to finance the sustained coverage that Europe needs.

In a tempting offer, Lockheed has offered to sell Germany a satellite at an unbeatable low off-the-shelf price. But Bonn's political priority is a deal with France, and France wants Germany's money.

Even with the new approach separating German participation in the satellite programs from the creation of a new industrial entity, three complicating factors stand out. The most prominent is Mr. Chirac's view, often articulated by Mr. Lellouche, that France should not "sell its crown jewels" by letting Germany buy Aerospatiale's leadership in satellite technology. Looking at French subsidies of many less-promising companies, Mr. Lellouche maintains that France must not stunt in supporting a high-tech champion like Aerospatiale.

A second French difficulty stems from the fears of Matra Défense Espace, the privately owned satellite maker that was the prime contractor on Helios I. A leader in this sector, Matra has strengthened its international position by a merger with GEC of Britain to form Matra Marconi Space. It was the kind of move that seemed indispensable to keep up with U.S. competition. But that French-British alliance could be threatened if Paris tilts too heavily, for political reasons, toward the proposed French-German deal.

In an unusually candid official report published in January, Arthur Paecht, a member of the National Assembly, said that Europe's future in space over the next decade depended on the deal with Bonn. But he stressed the need for Paris to insist on terms that protected future French interests in light of the potential mismatch between Daimler-Benz, a group with \$70 billion in annual revenues, and Aerospatiale, one-seventh as large in revenues and work force.

"We want to be sure that the French government does not lose sight of the value and the interests of a company that has proven its worth to the nation," a Matra executive said.

Thirdly, Germany will have to dig deep to find the money to get into the high-stakes game on a high level. Given the budgetary situation, Chancellor Helmut Kohl will probably have to impose contributions on the government ministries that stand to benefit but are reluctant to volunteer any funds from their already tight budgets.

Daunting as these domestic industrial difficulties are, a French-German effort seems to offer the only hope of providing Europe with capabilities that are sorely lacking.

When forces of Eurocorps, the embryonic European army, held their first large-scale maneuvers last month, their performance was deemed impressive — except for the fact that the troops had to lease Antonov cargo planes from Ukraine to get to Portugal.

Even Britain, ordering reinforcements into Bosnia this month, had to wait for days to find suitable transport.

Significantly, one of the first concrete actions by the Western European Union was to start a center for interpreting aerial reconnaissance photos, primarily satellite

imagery, which is in operation at Torrejón de Ardoz, Spain.

The meaning of this flurry of activity, aerospace executives said, is that Europe has gone beyond asking whether to get into the satellite business in a big way and is seriously asking how.

This was spurred by the political shock among members of the North Atlantic Treaty Organization in the fall when the Clinton administration abruptly cut off allied access to U.S. electronic intelligence in and around the former Yugoslavia.

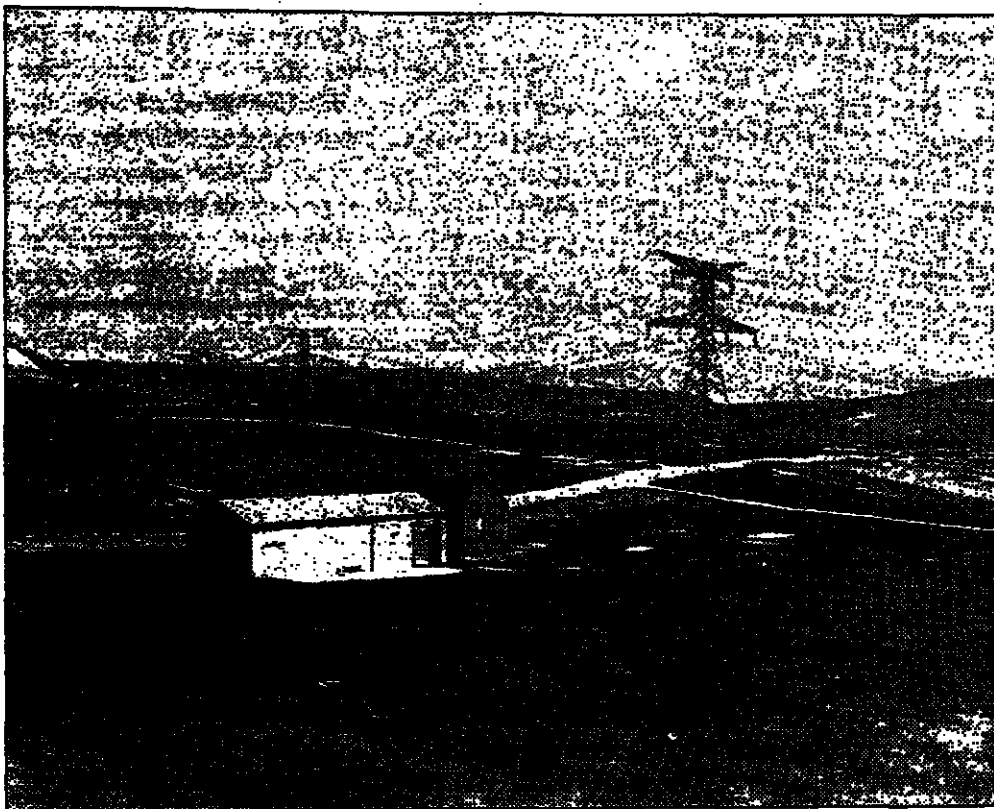
As part of congressional opposition to U.S. involvement in the embargo against weapons shipments to Bosnia's Muslims, Washington withheld surveillance data — still almost a U.S. monopoly — not only from NATO itself but also from its regular bilateral briefings with major allies.

A French defense executive said: "That episode concentrated minds even in Britain, where the argument has been that Europe did not need to make massive investments in a domain where the United States could be relied on to do the job for us."

Even during the Gulf War, according to the Paecht report, the United States showed only interpretative analysis — never the actual satellite imagery — to allied forces in the coalition.

In a long-term perspective, the development of a spy satellite system could eventually give Europe enough bargaining power to cut a deal with the United States for a division of labor in satellite coverage.

While that seems politically possible now that the Cold War is over, "it will only be realistic when we have enough assets of our own," said Admiral Jacques Lanxade, the French chief of staff.



Satellite technology can help generate near-perfect photographic images.

An All-Seeing Eye for Detail

VÉLIZY, France — There is literally more than meets the eye in photographs of the images produced by Prodiges, a new French computerized system using satellite reconnaissance to help modern planners.

When the French power company Electricité de France wants to run high-voltage lines through a valley, the system generates the setting, complete with houses and trees, and then allows planners to visualize the effect of pylons from any angle — including the view from a window, road or nearby mountain.

They can even see the lines from the perspective of the mayor, a powerful player in the bureaucratic game of getting public acceptance of a major electricity project.

"The visual supports for a public hearing used to consist of some photographs with hand-drawn sight lines that took several nights' work and weren't all that convincing," explained an engineer for Matra Cap Systèmes, which developed Prodiges. "Once our material is basically loaded, we can put together the whole show in hours — and it's very convincing."

The quality of the system's images is a critical difference between Prodiges and most virtual reality displays: The images convey the actual terrain, to accuracy within a few centimeters.

The same capability of replicating large areas can be used in cities — for example, to enable mobile-phone operators to scout sites for their relays, ensuring minimal interference from surrounding buildings. The task can also be done in hours, rather than the days it takes to do the job on foot.

The time-saving can be valuable in developing countries, where much work has to be done quickly if a project is to catch on.

Generating this virtual world involves many sources, including computer-assisted graphics from photographs. But its real value stems from the satellite imagery.

This technology's potential has long been obvious to the military planners who have been working with it.

One project involves capturing the entire surface of the earth in digitized form, providing a map for cruise missiles, which follow the contours of the ground.

A new dimension in civilian applications for overhead reconnaissance is starting to take shape. At least one major U.S. consortium, Eyeglass, is in the wings, a Canadian company is preparing to launch a radar satellite useful in the cloud-covered far north, and Russia is trying to turn its massive spy-satellite network into a for-profit operation.

Some of the most advanced work is being done in Vélizy, a western suburb of Paris, where teams of French engineers are harnessing the imagery provided by observation satellites to make life easier for all sorts of people, from sailors to ecologists to weather forecasters to restaurateurs.

These researchers — average age 27 — work for Matra Cap Systèmes, a joint venture of Matra Défense Espace, a military communications company, and Cap Gemini Sogefi, a leading French software company.

A pioneer in the business of commercializing the digitized data pouring out of space, Matra Cap aims to provide every link in the chain: earth stations for receiving downlink transmissions; software to interpret aerial photography for special markets, such as ranchers or mineral prospectors; training in satellite mapping; and even teams to technicians to help urban planners use satellite data.

It's a brand new market, where buyers and sellers are still trying to find each other and figure out how to do business, said Patrick Joordan, a Matra Cap executive. Civilian applications last year accounted for 10 percent of Matra Cap's revenues of nearly 900 million francs (\$180 million).

Understandably, the technology is complex. Jean-Paul Arif, marketing director of Matra Cap, said his team of 1,000 people includes 50 researchers, many of whom are writing postdoctoral theses about their work.

The basic challenge — getting an accurate three-dimensional rendition of satellite imagery — requires matching of two or more images, just as

human vision requires two eyes for depth perception.

Matra Cap may be matching four images — images from a satellite, radar images from another satellite, aerial photography and a map — all taking slightly different angles.

"Our challenge is to fuse sources so that the product can be examined by different customers and then to configure systems to help consumers get the answers in a form they can use," Mr. Arif said.

Some potential applications appear simple enough. When oil tankers pump their oily residue into the oceans at night, the infraction can easily be detected by satellites using infrared cameras — an operation that quickly pays for itself in fines collected from the offenders.

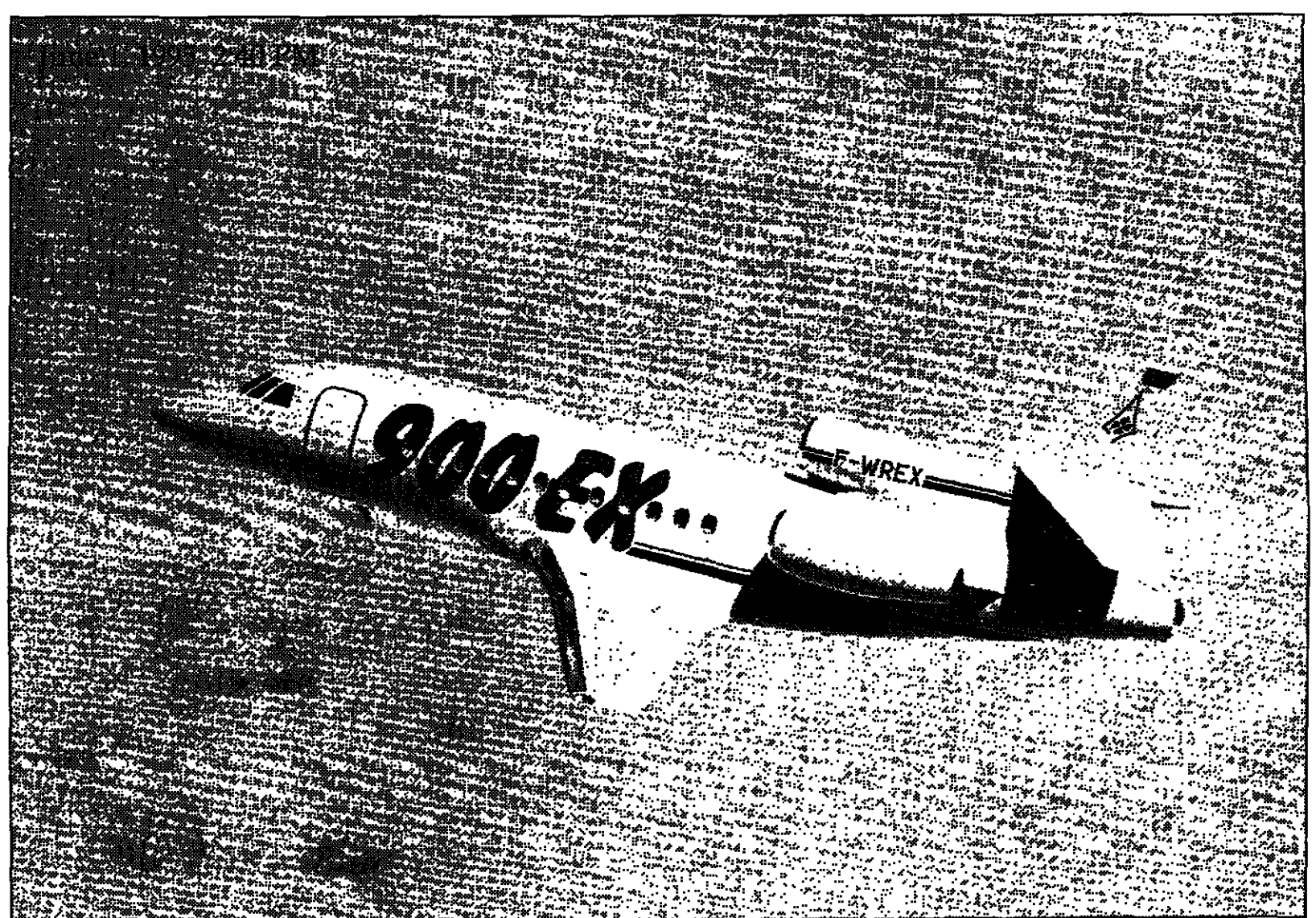
"Almost anything to do with the sea is promising for us," Mr. Joordan explained. Satellites can track dangerous icebergs in northern waters, spot temperature changes in the water that provide a clue to fish movements and collect the data needed to determine the pollution index at a beach resort.

In Spain, Matra Cap has detected the slow soil changes that foreshadow desertification in time to provide palliatives. A team from Madagascar, trained for three months, is mapping the island, in digitized form, for the first time. South Korea is also being mapped in this way, to improve on maps that haven't been updated since World War II.

The company has also developed, with the British Meteorological Office, an item known as Mistic. Costing 10,000 French francs, it delivers satellite weather data to the equivalent of a personal computer.

The company says it is selling about 50 Mistics a day. "Most of our customers are government agencies that want mapping, and some of the best are tax departments because they can see their investment coming back so quickly," Mr. Arif said. Other customers include sailors, outdoor sports enthusiasts, and restaurant owners who want to have some warning about whether or not to open their outdoor terraces.

— Joseph Fitchett



First to Fly

The first of the new long-range business jets to fly, the Falcon 900EX trijet is ready for its grand debut at this week's Paris Air Show.

On Thursday, June 1, 1995, the Falcon 900EX achieved another major milestone.

The first flight of a new Dassault aircraft—whether military or civil—is always historic, always exciting. But this was no ordinary

achievement, even for Dassault. More than an initial flight, it was a one hour, 45 min. demonstration of flawless performance and reliability for the newest trijet member of the Falcon family.

High-speed (.84 Mach) transatlantic performance is now a practical reality for the corporate operator. With 4500 nm nonstop range, the Falcon 900EX can link Tokyo to San Francisco, or Paris to St. Louis. Its ability

to use the shortest airfields in the toughest hot/high conditions beats everything else in its category.

Inside the Falcon 900EX: a modern cockpit with advanced avionics, digital autothrottle and a spacious widebody cabin that will be thoughtfully customized to your specifications.

All this for an operating cost that—amazingly—runs about 8% below that of Dassault's other large trijet, the Falcon 900B.



"What a Falcon!" pilots Guy Mitau-Maurouard and Jean-Louis Dumas rave upon landing.

Call John Rosanvallon in the U.S. at (201) 967-2746 or Jean-Claude Bouxin in Paris at (331) 40-83-93-08. And see the Falcon 900EX at the Paris Air Show!

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CAPITAL MARKETS ON MONDAY

Another Market Bubble Has Burst

By Carl Gewirtz
International Herald Tribune

PARIS — It was not an enormous bubble, but a bubble nevertheless, and thus destined to burst. What is more, the fallout from last week's selloff in the U.S. bond market, which pulled down prices nearly everywhere, may not be over. But while the jitters may be long-lasting, the damage is not expected to be severe since no one is forecasting a rise in official rates soon. The bubble became glaringly apparent when U.S. interest rates from 12 months to 10 years fell below the overnight cost of money, pegged by the Federal Reserve Board at 6 percent. By the end of the week, only the cost of 12-month money remained below the Fed target.

As John Llewellyn at Lehman Brothers in London put it, the bond market had been "discounting everything — and more — assuming that a looming recession would drive the Fed to slash rates and justify the decline in market rates."

Based on comments by the Fed's chairman, Alan Greenspan, market perceptions shifted and fading expectations of an imminent cut in administered rates led to a selloff that was amplified by rumors that

"Speculative money moves in and out of the dollar," observed Bill Dudley at Goldman Sachs & Co. in New York. "But with-out follow-through from longer-term investors, the speculative flows reverse easily."

In the bond markets, long-term paper held up better than short-dated notes. In the U.S. market, which currently serves as a beacon to Europe, yields on one- and two-year notes backed up nearly half a percentage point while the increase was only half as much at 10 years and even less at 30 years.

Although the U.S. market suffered the largest setback, Britain's market was not far behind and was followed closely by Denmark, Sweden, Italy and Spain. In Germany, the decline was quite moderate.

Relative to the rally seen since the start of the year and even to the gains seen only in the past six weeks, the declines everywhere looked modest.

Analysts warn there is a risk that the May report on U.S. retail sales, due Tuesday, may further upset sentiment by registering a vigorous 0.6 percent gain, following two months of falling sales and further dimming hopes of a Fed rate cut.

But a report on industrial production for last month, due Thursday, is expected to show a decrease and fuel hopes of a cut. The uncertainty will not be settled until the Fed's next meeting on July 5.

For European markets, the test will come this week when the Bundesbank council meets. A cut in German rates is already fully discounted, and if the central bank fails to act, analysts expect a further setback in bond markets.

As a result, the issuing calendar in the international market is expected to be light as investors sit back and wait for clarification.

The Tennessee Valley Authority, the U.S.-owned power supplier, is expected to launch its first international issue this week with a global offering of at least \$1 billion. The bonds, with an expected maturity of 10 years, will be the first non-callable paper it has ever issued — a feature preferred in the international market.

In the Deutsche mark sector, the German state railway is planning its international debut with a 1 billion DM (\$714 million) issue for 10 years. The market last week was flooded with five-year paper as issuers sought to take advantage of swap spreads into low-cost floating-rate obligations.

The largest buyers remained Asian, including the Japanese, and bankers reported that they saw no sign of a lull in this flow into the DM market.

At the same time, John Youngdahl, a Goldman Sachs economist, said that the yield curve would flatten in the coming weeks, "particularly if consumption and confidence reports are positive."

Writing in the firm's weekly bond market comment, Mr. Youngdahl added that Congressional agreement on a seven-year deficit-elimination package that includes tax cuts would offer greater support for long-duration bond issues.

Robert Parry, president of the Federal Reserve Bank of San Francisco, said the U.S. economic slowdown, while worse than he expected, would be followed by a rebound in coming months.

The economy will "grow at a more rapid pace in the coming months," he said. (Knight-Ridder, Bloomberg)

Shifting Signals Keep Traders on Edge

NEW YORK — Bond prices may be in for an upswing this week on fresh speculation from Federal Reserve Chairman Alan Greenspan that "the probability of a mild recession" had increased.

Mr. Greenspan's comments, made Sunday during the annual meeting of the Bank for International Settlements in Basel, Switzerland, seemed to contradict optimistic statements about the economy that he made only last Wednesday at a conference in Seattle.

The drop last week in bond prices came after statements from several Fed officials, including Mr. Greenspan, led traders and investors to question whether the central bank would lower rates soon in an attempt to stimulate the U.S. economy.

The benchmark 30-year government bond fell about 1/32 to 111 17/32 on Friday, taking the yield up 0.13 percentage point, to 6.72 percent. It was the biggest daily rise in yield since Sept. 16.

The three-year note fell 10/32 to yield 6.05 percent. The five-year note fell 1/4 to 100 1/4, a yield of 6.19 percent. The 10-year note fell 3/32 to 100 25/32, a yield of 6.39 percent.

"Greenspan seemed to signal to a lot of people that the Fed is not going to ease in July," said Robert Fernald, a bond manager at Society Asset Management in Cleveland.

"Everyone had priced in a Fed ease in July," he said. "But now there's some uncertainty, and we may have to wait until August, so we're building that in."

Although acknowledging that much of the "excessive optimism" had been wrong out of the market, analysts at Goldman

Sachs & Co. saw room for a further rise in yields.

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Most Active International Bonds

The 250 most active international bonds traded through the Euroclear system for the week ending June 9. Prices supplied by Reuters.

Rnk	Name	Cou	Maturity	Price	Yield
1	Austrian Schilling				
2	Belgian Franc				
3	British Pound				
4	Danish Krone				
5	Deutsche Mark				

Rnk	Name	Cou	Maturity	Price	Yield
6	French Franc				
7	Italian Lira				
8	Japanese Yen				
9	Netherlands Guilder				
10	Spanish Peseta				

Rnk	Name	Cou	Maturity	Price	Yield
11	Swedish Krona				
12	Swiss Franc				
13	U.S. Dollar				
14	U.K. Pound				
15	Yugoslav Dinar				

Rnk	Name	Cou	Maturity	Price	Yield
16	Argentine Peso				
17	Brazilian Real				
18	Colombian Peso				
19	Costa Rican Colon				
20	Czech Koruna				

Rnk	Name	Cou	Maturity	Price	Yield
21	Dominican Republic				
22	Ecuadorian Dollar				
23	El Salvador Colon				
24	Honduran Lempira				
25	Indonesian Rupiah				

Rnk	Name	Cou	Maturity	Price	Yield
26	Israeli Sheqel				
27	Malaysian Ringgit				
28	Mexican Peso				
29	Nicaraguan Cordoba				
30	Panamanian Balboa				

Rnk	Name	Cou	Maturity	Price	Yield
31	Paraguayan Guaraní				
32	Peruvian Sol				
33	Puerto Rican Dollar				
34	Romanian Leu				
35	Slovak Koruna				

Rnk	Name	Cou	Maturity	Price	Yield
36	Slovenian Tolar				
37	Taiwan Dollar				
38	Tanzanian Shilling				
39	Uruguayan Peso				
40	Venezuelan Bolívar				

Japanese Yen

Rnk	Name	Cou	Maturity	Price	Yield
1	World Bank				
2	World Bank				
3	World Bank				
4	World Bank				
5	World Bank				

Rnk	Name	Cou	Maturity	Price	Yield
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Rnk	Name	Cou	Maturity	Price	Yield
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Rnk	Name	Cou	Maturity	Price	Yield
111	World Bank				
112	World Bank				
113	World Bank				
114	World Bank				
115	World Bank				

delivery in key cities.

Herald Tribune BUSINESS / FINANCE

MONDAY, JUNE 12, 1995

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CYBERSCAPE

The Virtual Art Museum: Culture at Your Fingertips

By Miranda Haines

Special to the Herald Tribune

LONDON — A view of Rouen Cathedral by Claude Monet will be sold for an estimated \$4 million (\$6.4 million) at Christie's on June 26. But you can snap up another Monet, along with a few Cézannes, Renoirs and Matisses from the famed Barnes Collection — all for \$49.99.

That price does not buy paint on canvas, but an interactive compact disc, or CD-ROM, entitled "A Passion for Art: Renoir, Matisse and Dr. Barnes." It is published by Corbis Corp., the other company founded by Bill Gates, chairman of Microsoft Corp.

In a marriage of classic art and modern technology, institutions such as the Musée du Louvre in Paris, the Frick Collection in New York, and the National and Tate galleries in London are cooperating with software publishers to bring out digital versions of masterpieces from around the world.

Early reports have been encouraging. "My market for the arts CD-ROMs has grown 80 percent in the last 10 months," said Ian Selvan, managing director of Centre Point Software in London.

Emmanuelle Croisefield, sales manager at Montparnasse Multimedia in Paris, which co-released "Le Louvre: The Palace and Its Paintings," said the compact disc has sold 40,000 copies in France since December.

Michael Wilson, head of exhibitions at the National Gallery in London, believes that the interactive compact discs, far from stopping people from visiting the galleries, will bring in new visitors.

"With these products we have a greater outreach to a different type of person," he said. "They arouse a greater curiosity than perhaps traditional books do. So first-hand experience will be the next step."

Typically the gallery earns a royalty for each CD-ROM sold and may also collect a fee from the software publisher for the multimedia rights to its artworks.

Landing the Barnes Collection was a particular coup for Corbis. Mr. Gates, who founded the software publisher in 1989, is said to have negotiated personally with the Barnes Foundation for the rights to the collection, one of the largest and most important collections of Impressionist masterpieces. Unseen for 70 years until it began a much-publicized world tour in 1993, the collection was released on CD-ROM in the United States four months ago.

Mark Leicester, a programmer who writes for Electronic Press on the World Wide Web, found the Barnes compact disc "seductive." He pointed to the quality of the color picture and a feature that enables the user to highlight a title in the index while the painting appears automatically in a color box to the side.

Internet address: CyberScape@jhl-llh.demon.co.uk

Masterpieces from around the world are now on CD-ROM.

U.S. Bomber Steals the Paris Air Show

By Barry James
International Herald Tribune

PARIS — The 41st Paris air show opened to the public Sunday amid vitriolic squabbling between Airbus Industrie of Europe and Boeing Co. of America. But what most people really came to see was the U.S. Air Force's B-737 Stealth Bomber.

Making its first public appearance outside the United States, the sinister black flying wedge made a simulated bombing run over the Netherlands, then touched down at Le Bourget airport near Paris for a one-hour visit. It later returned to the United States with a relief crew.

Officials said the United States was allowing a glimpse of the bomber to showcase its high technology, as American manufacturers sought to grab market share in an economic climate that is at least showing signs of an upturn for civilian jets.

But the outlook for defense manufacturers looked somber. Norman Augustine,

president of Lockheed Martin Corp., told Reuters that because of budget cuts there was room for only two major aerospace defense contractors in the United States rather than the present five.

Meanwhile, Boeing announced 12 orders worth about \$565 million for its narrow-bodied B-737 passenger jet from three European airlines, and Airbus planned to publicize some of its new orders on Monday.

The question remained, however, whether Boeing would announce substantial business for its new 777 twin-engine jumbo jet, a star attraction at the show. The plane competes with the Airbus A330 and A340 family of jets, which the European consortium sees as vital to achieving its aim of winning half the civil airline market by the end of the century.

Boeing, on the other hand, said its aim was to corner two-thirds of the market for aircraft with more than 100 seats. Both Airbus and Boeing are predicting deliveries

of about 15,000 commercial aircraft over the next 20 years and combined sales of about \$1 trillion.

McDonnell Douglas Corp., the underdog in the industry, is hoping that its planned MD-95, which as yet has won no orders, will win a substantial proportion of a potentially booming market for 100-seat jets.

Determined to hold onto its lead in the market for 300- to 400-seat planes, Airbus said that it would introduce a longer-range, 8,500-mile version of the A340, complete with beds for passengers, early in 1997, as well as stretched and shrunken versions of the A340 and A330 to meet the needs of specific airlines. Having hardly launched the 777 onto the market, Boeing also announced plans to produce a stretched version toward the end of the century.

Russia also is aggressively seeking orders at the air show, having brought its massive Tupolev TU-160 bomber and a recent Sukhoi 32 bomber to a foreign display for the first time.

Greenspan Sees More Chance of 'Mild Recession'

Compiled by Our Staff From Dispatches

BASEL, Switzerland — The Federal Reserve Board chairman, Alan Greenspan, said Sunday that he saw an increased chance of a "mild recession" in the United States now that inflation had been brought under control.

His comments, which seemed to contradict recent Fed optimism about the economy, came as Leon E. Panetta, the White House chief of staff, urged the Federal Reserve Board to bolster economic growth by cutting interest rates.

Mr. Panetta, speaking Sunday on U.S. television, appeared to be reversing more than two years of White House policy, under which the Clinton administration declined to criticize the Fed even as the central bank pushed interest rates higher to slow the economy and curb potential rapid inflation.

"There has been success in stemming the acceleration that existed in the economy," Mr. Greenspan told journalists before the annual meeting here of the Bank for International Settlements.

"But I think the probability of a mild recession has increased," he said.

The Fed chairman said the producer-price index made public Friday indicated that inflation was now under control. "I think evidence that inflationary pressures are controlled are fairly persuasive at this particular stage," Mr. Greenspan said.

On Friday, the Labor Department reported producer prices unchanged in May as the slowing economy made businesses unwilling to raise their prices and risk losing customers.

Although Mr. Panetta said he did not expect the current slowing of economic growth to continue into a recession, "everybody's a little concerned about

where we are" in the current expansion, now in its fifth year.

The Fed has raised short-term interest rates seven times in a year in an attempt to slow the economy so that it would not overheat and generate rapid inflation, nudging the federal funds rate on loans among banks to 6 percent from 3 percent.

The Fed has also raised the interest rate it charges on direct loans to banks four times, bringing it to 5 1/4 percent from 3 percent.

The moves have worked, with growth in the output of goods and services slowing from a torrid 5.1 percent yearly growth in the final three months of 1994 to a 2.7 percent pace in the first three months of this year.

(Bloomberg, Knight-Ridder)

China Hits Back At the U.S. Over Dumping Claims

Reuters

BEIJING — China escalated its attacks on Washington Sunday with a claim that the United States was engaging in trade protectionism through accusations of product dumping against Beijing.

The claim widened China's recent stream of invective against Washington for allowing a U.S. visit last week by President Lee Teng-hui of Taiwan. Beijing regards Taiwan as a renegade province.

"Behind its raucous dumping lawsuits against Chinese exporters, the United States has engaged in thinly-veiled trade protectionism," the official China Daily Business Weekly said.

The United States has filed 39 dumping complaints against China since 1990, according to a Chinese official said.

Turner Pondering Bid for King World

By Geraldine Fabrikant
New York Times Service

NEW YORK — Turner Broadcasting System Inc. is again considering a proposal to acquire King World Productions Inc. for nearly \$2 billion.

The matter was discussed late Friday at a Turner board meeting, but the talks were tabled for further consideration, according to an executive familiar with the discussions.

Turner Broadcasting, along with its two big corporate

shareholders, Tele-Communications Inc. and Time Warner Inc., has also resumed talks on the sale of Time Warner's 18 percent stake in the company.

Gerald Levin, Time Warner's chairman, has consistently indicated that he hoped to turn the non-liquid assets of his company into cash to help pay down its \$18 billion in debt. Ted Turner, chairman of Turner Broadcasting, has been interested in acquiring King World Productions for some time.

King World, which syndicates three popular television programs, "The Oprah Winfrey Show," "Wheel of Fortune" and "Jeopardy," under long-term contracts with stations, has a cash board of about \$500 million and no debt. That money could be used by Turner Broadcasting if, as expected, it tries to acquire a major television network.

A spokesman for Turner Broadcasting declined to comment on the talks, as did a spokesman for King World, which retained Goldman, Sachs

& Co. to help it find a buyer.

However, one person with knowledge of the negotiations said some Turner directors had raised a question about the growing ratings competition for programs, including "Oprah Winfrey," and were worried that the price for King World was too high.

Turner hopes to acquire King World for Turner stock. Such a strategy would leave Turner Broadcasting's balance sheet far stronger than if it were to finance the acquisition by debt.

London Notebook

EMU Talk Rages

Whether or not Britain ever deigns to throw its lot in with the efforts to create a single currency in the European Union, one thing is certain: nowhere will the issue be more debated and discussed than in the United Kingdom. Last week alone, three exhaustive reports on the subject came to light.

Several camps continue to vie for dominance. On one hand, there are those who argue that Britain can ill afford to be left out in the cold. On the other are a trio of arguments: A single currency won't work; it won't work for Britain; or, it will work but Britain doesn't want any part of a sovereignty-sapping European super-state.

While most of the arguments continue to center on economic issues — such as whether or not British businesses and workers would be better off with or without economic and monetary union — business leaders themselves have mixed feelings.

"The seven most recent surveys of businessmen all show overwhelming support for the single currency," said a spokesman for the Confederation of British Industry, whose membership strongly supports EMU.

Not so fast, begs Ruth Lea, head of policy at the Institute of Directors, an employers' group. "It is all in how you phrase the question," she said. "If you ask them if they remember the European currency grid, when the British economy was crying out for an interest-rate cut and we couldn't do it, then businessmen say, 'Oh, my god never again.'"

Is a Big Bank a Bad Bank?

Like the self-respecting heads of any other industry, British bankers have long believed that bigger is better. But a study released in London last week suggested they have been wrong.

"We find there are 'dis-economies' of scale once institutions reach an asset base of about \$20 billion," said John Harrison, head of the banking services group at Deloitte Touche Tohmatsu International, the accounting firm that released the report.

The problem, according to DTIT, centers on the sheer complexity of the banks' operations. Under one institutional roof, bankers' tasks range from managing far-flung branches to data processing to marketing. The report argues that banks will begin to hone their competitive edge by selecting a few areas of business and farming out an array of other functions.

By doing so, says DTIT, banks will mimic the evolution of the airline industry that has been brought on by deregulation, causing bare-knuckled combat between carriers for business.

Beach Blankets and Rubbish Bins

One would never know it by looking at the thermometer nor by gazing into the dark clouds hovering low overhead, but Britain stands on the brink of another summer.

Across the land, families are preparing to flee to warmer climates. Unless, of course, they have fallen beneath the sway of a new campaign by the English Tourist Board that touts the unique attractions of 28 beaches around Britain.

To help people choose a suitable beach, the ETB has just put out a booklet called "Resorts at a Glance." The board, however, has an interesting notion about how to capture the hearts, minds and vacation spending of its countrymen.

Billed at the very top of "beach amenities" at South Tyneside, for example, are the following: "Public toilets at five seafront locations, dog warden to supervise dog ban area, beach cleaned daily."

"We have had a bad reputation in the past for cleanliness," explained a board spokesman.

Erik Ipsen

North Korea Exports to U.S.

Bloomberg Business News

NEW YORK — Minerals Technologies Inc., the New York-based mineral-products concern, said Sunday it had signed an agreement with North Korea to import magnesite.

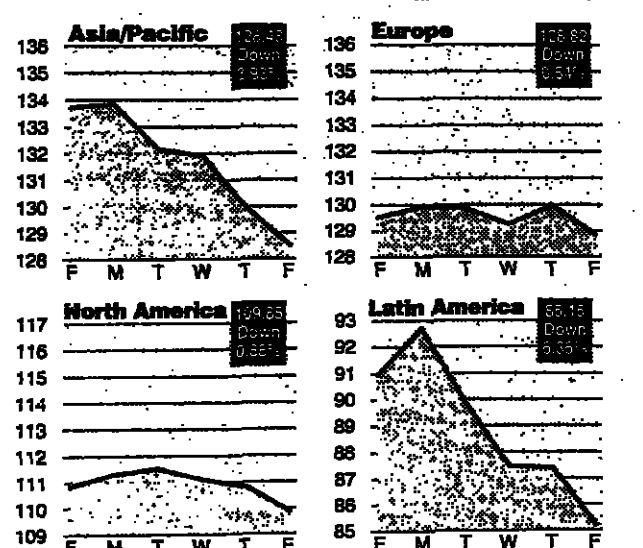
The deal, hammered out during five days of negotiations between North Korea's international trade representative, North Korean Magnesia Clinker Export & Import Co. and Minerals Technologies, paves the way for the first North Korean exports to the United States since the Korean War. Tens of thousands of tons of North Korean magnesite are planned for shipment.

It is a key raw material in the production of refractory products, which are used primarily in the steel industry to resist the effects of high temperatures. Minerals Technologies did not disclose the terms of the agreement. The imports will be arranged through the company's Minteq International Inc. subsidiary.

THE TRIB INDEX

International Herald Tribune
World Stock Index, composed
of 200 internationally investible
stocks from 25 countries,
compiled by Bloomberg
Business News.

Week ending June 9
daily closings,
Jan. 1992 = 100.



Industrial Sectors/Weekend close	1995 close	% change
Energy	124.38	126.87 -1.86
Utilities	131.23	133.72 -1.86
Finance	120.01	123.70 -2.98
Services	112.45	114.61 -1.88
Capital Goods	123.34	125.36 -1.61
Raw Materials	137.83	138.64 -1.30
Consumer Goods	116.10	117.44 -1.14
Miscellaneous	131.28	132.61 -1.00

The index tracks U.S. dollar values of stocks at Tokyo, New York, London, and Frankfurt, Amsterdam, Brussels, Milan, Zurich, and Vienna. For the week ending June 9, the index is composed of the 20 top issues in terms of market capitalization, otherwise the ten top issues are tracked.

© International Herald Tribune

CURRENCY RATES

Currency	100 U.S. dollars	100 U.S. dollars	100 U.S. dollars	100 U.S. dollars	100 U.S. dollars	100 U.S. dollars	100 U.S. dollars	100 U.S. dollars	100 U.S. dollars
Amsterdam	1.54	2.81	1.18	2.82	0.86	—	2.44	1.27	1.83
Brussels	2.15	4.14	2.54	2.84	1.27	—	2.15	1.27	1.21
Frankfurt	1.42	2.25	—	2.54	0.87	—	2.15	1.27	1.21
London (S)	1.97	—	2.28	2.81	2.81	—	1.51	1.45	1.13
Madrid	12.51	19.19	16.72	24.63	7.43	—	1.28	1.28	1.28
Milan	1.37	2.23	1.38	1.75	1.21	—	1.28	1.28	1.28
New York (S)	—	1.00	—	—	—	—	—	—	—
Paris	4.78	7.85	3.93	—	—	—	1.28	1.28	1.28
Tokyo	1.37	2.23	1.38	1.75	1.21	—	1.28	1.28	1.28
Zurich	1.37	2.23	1.38	1.75	1.21	—	1.28	1.28	1.28
100 Yen	1.37	2.23	1.38	1.75	1.21	—	1.28	1.28	1.28
100 Swiss Franc	1.37	2.23	1.38	1.75	1.21	—	1.28	1.28	1.28
100 Japanese Yen	1.37	2.23	1.38	1.75	1.21	—	1.28	1.28	1.28
100 German Mark	1.37	2.23	1.38	1.75	1.21	—	1.28	1.28	1.28
100 French Franc	1.37	2.23	1.38	1.75	1.21	—	1.28	1.28	1.28
100 Italian Lira	1.37	2.23	1.38	1.75	1.21	—	1.28	1.28	1.28
100 Spanish Peseta	1.37	2.23	1.38	1.75	1.21	—	1.28	1.28	1.28
100 Portuguese Escudo	1.37	2.23	1.38	1.75	1.21	—	1.28	1.28	1.28
100 Greek Dracma	1.37	2.23	1.38	1.75	1.21	—	1.28	1.28	1.28
100 Czech Koruna	1.37	2.23	1.38	1.75	1.21	—	1.28	1.28	1.28
100 Hungarian Forint	1.37	2.23	1.38	1.75	1.21	—	1.28	1.28	1.28
100 Polish Zloty	1.37	2.23	1.38	1.75	1.21	—	1.28	1.28	1.28
100 Czech Republic Koruna	1.37	2.23	1.38	1.75	1.21	—	1.28	1.28	1.28
100 Slovak Republic Koruna	1.37	2.23	1.38	1.75	1.21	—	1.28	1.28	1.28
100 Czech Republic Koruna	1.37	2.23	1.38	1.75	1.21	—	1.28	1.28	1.28
100 Czech Republic Koruna	1.37	2.23	1.38	1.75	1.21	—	1.28	1.28	1.28

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THE WORLD'S DAILY NEWSPAPER

The Incredible Shrinking Agency

Unfilled Vacancies May Reduce SEC to Just 2 Members

By Reed Abelson
New York Times Service

WASHINGTON — For the first time in its 61-year history, the Securities and Exchange Commission, the government agency responsible for safeguarding trillions of dollars of investors' money, may have only two commissioners, both Democrats.

Set up in the aftermath of the 1929 stock market crash to restore faith in U.S. securities markets, the SEC was deliberately established as a bipartisan agency whose five voting members were to be selected by the president and confirmed by the Senate.

These men and women police the securities industry, voting on whether to take enforcement actions against companies believed to have violated federal securities laws. They also determine the rules by which everyone involved in U.S. stock and bond markets must play.

But lately the SEC has been looking neglected, an odd status for one of the few government agencies that make money — \$327.9 million last year, to be exact. No one expects it in for the agency, but no one seems to care about it, either.

What is more, the SEC is making little

progress at filling the openings for its 115,000-a-year commissioner jobs. Some blame the White House, which has its hands full with the crisis in Bosnia and the battle of the budget — and which also has a record of difficulty with high-level appointments.

"It's a deplorable situation," said A.A. Sommer Jr., a former SEC commissioner appointed by President Jimmy Carter. "The failure of the administration to make timely appointments tends to signal the administration doesn't consider the commission important."

"It's become the incredible shrinking agency," said a former commissioner who insisted on anonymity.

Two seats on the commission have been empty since the departures last year of Mary L. Schapiro and J. Carter Beane Jr. This month, Richard Y. Roberts, who was appointed as a Democrat but now considers himself a Republican, is expected to step down.

That would leave only Arthur Levitt Jr., the commission's chairman for the past two years, and Steven M. H. Wallman, a newcomer who is just learning the ropes.

To avert gridlock and "preserve its flexibility" in the event its numbers dwindle

even further, the agency changed its rules in April so that one commissioner, rather than the customary three, could function as a quorum should it become necessary.

But the remaining commissioners are painfully aware that anything they tackle on their own could be challenged in court later.

"I'm hopeful that the process will develop to nominate and recommend to the Senate very, very quickly," Mr. Levitt said. "I need and want commissioners."

Besides ensuring that both major political parties are represented, the point of having a five-member commission, rather than an agency headed by an individual, is the belief that five minds are better than one in making critical decisions. "I was made better by my colleagues," explained Joseph A. Grundfest, a former commissioner.

But what has made the job a little less attractive, according to one securities lawyer, are new conflict-of-interest rules requiring anyone who leaves the job to wait five years before doing business with the agency.

A White House spokeswoman, Ginny Terzano, would not discuss candidates, but said the administration was "in the process of filling the vacancies."

CROSSWORD

ACROSS

1 "The Intern" poet

6 Number after seven

10 Highest point

14 Bay window

16 Scottish hillside

18 Fillmore, politically

17 Noted Swiss peak

18 1880 Zola novel

DOWN

1 Rotunda's crown

2 Saroyan character

3 Tiny criticisms

4 Hanoi holiday

5 Laments

6 Detest

7 — Magnon (early human)

8 Damage

9 Stunned property

10 Sunshade

11 Motormouth

12 "King Solomon's

13 "Zounds!"

14 Marsh plant

15 Wagner cycle

16 1929 song

17 "More — You Know"

18 Prominent, as a feature

19 The "A" in ABM

20 Firearm with an unfocused shot

21 Tubs

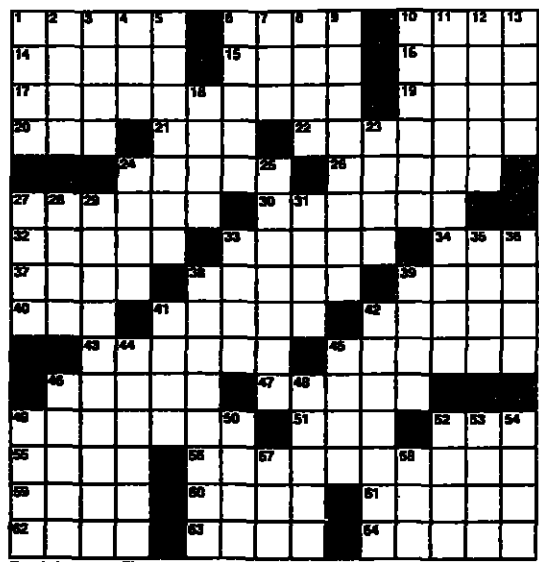
22 Post Teasdale

23 Own

24 Change for a five

25 Elched in (permanent)

26 Felt regret



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30 The "E" in Q.E.D.
41 Small change in Chihuahua
42 Raging vehicle
43 Most unusual
44 Animal with big ears
45 Brownish gray
46 Ceremonies
47 Sudden shock
48 Parlor, in La Paz
49 Shakespearean villain
50 MacGregor, e.g.
51 Otherwise
52 Conway or Curry
53 Barfly

Solution to Puzzle of June 9

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AGREED TO DISAGREE
MIND LITTLE FLOW
STASPADE HALENA
TENITY DONATOR
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Consolidated trading ended Friday, June 9

Consolidated trading ended Friday, June 9

Continued on Page 10

DECLARATION

SPORTS

Alesi Can Finally Celebrate

Ferrari Driver Takes Canadian Grand Prix

Compiled by Our Staff From Dispatches

MONTREAL — Jean Alesi celebrated his 31st birthday in style on Sunday when he swept to the first Formula One victory of his career at the Canadian Grand Prix.

The Ferrari driver, who has been under mounting pressure to claim his inaugural win, was cheered by delirious fans at the packed Gilles Villeneuve course.

World champion Michael Schumacher of Germany looked to be cruising to his second consecutive win in Canada, but Alesi took over first place when Schumacher limped into the pits with steering problems.

After leading for 58 of the 69 laps, Schumacher took a long pit stop before rejoining the action to finish fifth.

Alesi beat runner-up Rubens Barrichello's Jordan-Peugeot by 31.687 seconds. Ireland's

Eddie Irvine took third, also in a Jordan-Peugeot, followed by Olivier Panis of France in fourth in a Ligier-Mugen.

It was Alesi's 91st Formula One race.

"I feel fantastic," he said. "It was very difficult for me, because I really wanted a long time to get this first win."

Schumacher's finish was enough to increase his lead in the overall standings from five to seven points over Britain's Damon Hill. Hill was forced to abandon his car in the 31st lap because of hydraulic and gear-box problems.

"This is a hugely disappointing result and we now have to do a lot better if we are to do anything in this championship," Hill said.

David Coulthard also retired with mechanical problems and only one of the 26 starters were classified finishers at the end of the race.

The race ended for Gerhard Berger, Alesi's teammate, after a collision with Martin Brundle.

The start of the race was clean, but the first lap was not. On the 10th turn of the 15-turn course, Johnny Herbert, Schumacher's teammate, spun, and the nose of Finnish driver Mika Hakkinen's car nudged him at a 90-degree angle, locking the two cars together. Neither was able to continue.

Alesi was almost beside himself with joy at his victory as thousands of flag-waving Ferrari fans thronged the circuit.

The result moved Alesi up to third in the drivers' standings, behind Schumacher and Hill.

"I was in tears on the final laps," Alesi said. "Because the tears were on my visor I had trouble seeing, but it was an incredible feeling for me, the greatest day of my racing career."

(Reuters, AFP, AP)

14-1 Shot Lammtarra Wins English Derby

Compiled by Our Staff From Dispatches

EPSOM, England — Lammtarra, a 14-to-1 shot in only his second race, made up a five-length deficit down the stretch to win the English Derby in a track record of 2 minutes, 32.31 seconds.

Lammtarra, a son of Nijinsky who nearly died of a virus while wintering in Dubai, surged up from the outside Saturday to chase down Tamure and Fahal and win by a length in the 1½-mile (2.4-kilometer) race for 3-year-olds.

The French-trained 2,000 Guineas winner Pennekamp, the 11-8 favorite and Triple Crown hopeful, finished 11th in the field of 15 and pulled up lame.

The second choice, Spectrum, ran 13th and also came up lame, while Daffaq fractured a knee and was put down.

It was an emotion-charged victory for Sheikh Mohammed and jockey Walter Swinburn, who paid tribute to Alex Scott, the 34-year-old trainer who was murdered in his home last September, shortly after the colt's only previous race.

"Let's just remember Alex, who believed in this horse even before he'd run," Swinburn said. (AP, Reuters)

Thunder Gulch Steps Up

Lukas Sets Record With Belmont Win

Compiled by Our Staff From Dispatches

ELMONT, New York — With his star, Thunder Gulch, back in the barn recovering from a virus, D. Wayne Lukas marched into the racing record books when his "other" colt, Thunder Gulch, won the 127th Belmont Stakes by a length and a half after a rousing duel down the home stretch with Star Standard.

Lukas became the first trainer to win five straight Triple Crown races, a feat he accomplished with three horses, and the first to sweep the Triple Crown with two different horses, Timber Country and Thunder Gulch.

Gary Stevens, riding Thunder Gulch, bided his time Saturday while Star Standard led in an exceedingly slow pace, then made a powerful move as they turned for home. The two thoroughbreds raced head-to-head for an eighth of a mile, but then the Lukas colt, the winner of the Kentucky Derby five weeks ago, drilled his way to the front while Star Standard finished second and Citadelle third.

"We were in a kind of very slow pace throughout the race," Stevens said. "I

more or less turned into a sprint race at the three-eighths pole."

Thunder Gulch, owned by Michael Tabor, a major stockholder in a string of British betting shops, won for the fourth time in six starts as a 3-year-old and for the sixth time in 12 lifetime outings. The winning share of \$415,440 raised the colt's career bankroll to \$1,907,586, all but \$271,006 earned this year.

Lukas' streak started last year when Teabacco Cat won the Preakness and Belmont.

Only one other trainer in racing history, Lucien Laurin, had won four classic races in a row, and he had an extraordinary ally in Secretariat, who swept the Triple Crown in 1973 after his stablemate Riva Ridge had won the Belmont the year before. Only four other trainers in racing history had swept the Triple Crown with two different horses.

The Belmont Stakes was the last and longest race in the Triple Crown series and the opening act in a countdown to Oct. 28, when Belmont Park plays host to the Breeders' Cup series of seven races worth \$10 million in purses. (NYT, AP)

Germany Stays Lucky For Langer

Compiled by Our Staff From Dispatches

HAMBURG — Bernhard Langer won the \$1 million European Tournament Players Championship by 6 strokes Sunday.

The 37-year-old German's 33d European Tour triumph, and his ninth in Germany, came on a 3-under-par round of 69 for an 18-under total of 270 on the 7,029-yard (6,396-meter) Gut Kaden course.

Britain's Jamie Spence took second place with a closing round of 70. Mats Lanner of Sweden surged into third spot with a 66, to finish at 277.

It was Langer's second straight victory in Europe. He won the British PGA Championship at Wetherby and will try for a third consecutive success when he plays in the U.S. Open at Shinnecock Hills, New York, starting Thursday.

Langer, despite having a cold and a sore throat all week, let all the way for the easiest victory by any player on the tour this year.

"I don't know why I played so well this week because I have felt awful," he said. "I just hope I will be feeling better when I get to America."

Davis Love III took a 1-stroke lead into Sunday's final round of the Kemper Open in Potomac, Maryland.

He teed off the third round with a 3-shot lead but, after two early birdies, lost much of his advantage by dropping 3 shots in six holes.

His drive at the sixth hit a spectator in the head. The woman, Sandy Zober, 50, was hospitalized but officials said Sunday that her condition was stable and she likely would be released.

Love, shaken by the incident, then three-putted for bogey. He also three-putted No. 9, and dropped another shot at the 11th after finding a greenside bunker. (AP, Reuters)

SCOREBOARD

Major League Standings

AMERICAN LEAGUE			
Team	W	L	Pct.
Boston	26	14	.652
Baltimore	19	21	.475
Toronto	18	22	.450
New York	15	24	.385
CENTRAL DIVISION			
Cleveland	27	11	.708
Kansas City	21	18	.539
Minnesota	18	22	.450
Chicago	15	22	.405
Atlanta	12	28	.286
WEST DIVISION			
Texas	22	17	.565
California	24	18	.571
Seattle	22	18	.550
Oakland	22	18	.550
NATIONAL LEAGUE			
Team	W	L	Pct.
Philadelphia	27	14	.659
Atlanta	23	18	.561
Montreal	23	18	.561
New York	16	26	.381
Florida	13	27	.325
CENTRAL DIVISION			
Cincinnati	22	17	.565
Chicago	22	18	.550
Houston	19	21	.475
St. Louis	15	25	.375
Pittsburgh	15	25	.375
WEST DIVISION			
Colorado	24	17	.588
San Francisco	23	20	.535
Los Angeles	22	20	.524
San Diego	19	22	.463

Friday's Line Scores

Belcher, Villane (8) and Krueger (1), Perez (1), Martinez

England Beats Australia On Andrew's Drop Goal

By Ian Thomsen
International Herald Tribune

CAPE TOWN — It wasn't so much a drop kick as it was a rocket, armed in Rob Andrew's steady hands while everyone else watched gasping. He dropped it onto his right foot with a thump you could still hear two hours later, and Michael Lynagh, the Australian captain who had arrived not quite in time, turned to watch it drawing a stuttering line over the horizon of the crossbar almost 40 meters away.

Movies end like that, with the furious, climactic explosion, but who really believes in them. So this was better than anything James Bond did. It was bigger, maybe, than any drop goal in the history of this game, invented in England 172 years ago and ceded since to the likes of

Australia, which had been the defending Rugby World Cup champion but became, a few ticks from the end Sunday, a quarterfinal victim.

The final score of 25-22 helps describe where Andrew was standing three minutes into injury time, in a second half dominated by the late-peaking Aussies. His fifth penalty — in seven attempts; he also missed a much easier drop goal early on — had drawn England equal in the 76th minute, only to have Australia punching back within 22 meters of goal.

Australia had won six of its last seven games with England, and their last meeting in the 1991 World Cup final at Wembley. Now, in the 80th minute, with Lynagh shouting vainly on the left to exploit an overlap, David Campese was setting out to win the game with a drop kick himself. But he hooked it

low and wide, emphasizing his own diminished role — a record 10 tries in the previous two World Cups, none this time — and the new role of his team, the first of the contenders to fall aside. Central to the two biggest matches thus far, Australia turned out to be a gauge.

At the start the Australians were as jittery as they'd been against South Africa in the crucial opener. That day, May 25, had been more beautiful than the hosts could have imagined: this afternoon was dreary and gray, with a damp pitch suited to the English.

In the 22d minute, Lynagh fumbled a return pass from Jon Little and the captain lay on his side, knowing there was no support behind, listening to the hurdling cry of the pro-England crowd: From Andrew to Jeremy Guscott to captain Will Carling and all the way down the right wing with Tony Underwood, who ran through Little's shoulder tackle as if it were a slap of congratulations.

The try put England ahead at 13-3, but Australia equalized in the span of one minute interrupted by halftime: Lynagh's penalty first, and thereafter a try by Damian Smith, tumbling over the shoulder of England fullback Mike Catt to catch a Lynagh up-and-under.

To England it felt like stealing.

On the hour Australia went up, 19-16, and for the next 20 minutes the score mounted and swayed as Lynagh and Andrew carried on a sort of putting contest to the frustration of the larger 14 clubs in each team's bag.

Later, the coach Jack Rowell called it "a big day for England: not for English rugby, but for England," the way the English do. Perhaps the celebration explained why the English find it so hard to live up to their own estimations. A drop goal is never just a drop goal, it's a risk taken for queen and country.

Before the lineup that led to the scrum, the 32-year-old Andrew had discussed with teammate Dean Richards the option of the resulting kick. When it went through to the other side, the English became more than a team that relies too much on him, and he became more than a fine kicker. They started believing they might turn out to be the best in the world again.



Rob Andrew's kicking put England in the semifinals.



Chester Williams made South Africa's task easier.

Williams Scores 4 Tries as Springboks March On

Compiled by Our Staff From Dispatches

JOHANNESBURG — Wing Chester Williams made his debut in the tournament with four tries Saturday as South Africa beat Western Samoa, 42-14, to advance to a semifinal against France on June 17 in Durban.

Williams, the 24-year-old known as the "Black Pearl" and the only non-white player on the Springbok squad, sent the Ellis Park crowd of 50,000 into a frenzy of cheering with his first try, in the 16th minute.

His fourth try came with just

four minutes left in a hard-fought contest that led to angry comments from some players.

"All the tries belong to our eight forwards," said Williams, who was kept out of the pool round by a hamstring injury. "They gave us great ball to play with."

He added: "It means a lot to me, and South Africa, for me to be back in the team again."

Samoa fullback Mike Umaga earned the ire of the Springboks for two late tackles in the first half. One forced full-

back Andre Joubert from the field with a broken bone in his left hand, and another left scrumhalf Joost van der Westhuizen dazed and in pain.

Scottish referee Jim Fleming, who made several contentious decisions, called a penalty on only the second tackle.

"Umaga was lucky to stay on the field," said the Samoan technical director, Bryan Williams. "We certainly don't condone that sort of thing."

Tournament officials said Sunday that Umaga would ap-

pear Monday before a disciplinary hearing, cited for dangerous tackling.

Forwards Mark Andrews, Kobus Wiese and Ruben Kruger were all nursing injuries, too, and the Springboks' captain, Francois Pienaar, said he had complained to the referee about several high tackles.

The Samoan captain, Pat Lam, said van der Westhuizen had made "unprintable comments." Lam also complained to Fleming that he had been bitten.

(AP, Reuters)

Muster Powers His Way To French Open Title

By Christopher Clarey
Special to the Herald Tribune

PARIS — Thomas Muster, the hyperactive child turned hyperactive adult, was finally at rest. He was lying flat on his back on Center Court, the red clay of Roland Garros mingling with the perspiration that had soaked through his shirt.

It was a most appropriate image. Because if there are two substances that define Muster's atypical career, they are European clay and Austrian sweat. On Sunday in the French Open final against Michael Chang, they came together once more to give him the main item missing from his long list of tennis accomplishments: a Grand Slam singles title.

"Release," Muster said, when asked to describe his feelings after his 7-5, 6-2, 6-4 victory.

Muster, a man who plays each point as if his next meal depended on it, did appear very much at peace as he lay on the clay; alone, ever so briefly, with his thoughts. Long after he rose, shook hands with Chang and vaulted into the stands to embrace his coach, Ronald Leigeb, the Austrian continued to exude a quiet, profound contentment.

"When you're 17, it's a big effort to handle something like this," said Muster, 27. "Look at Boris Becker when he won Wimbledon the first time. It changes your life from one minute to the next. This is not going to happen to me. When you win at 17, everybody says, 'Wonderkind.' Nobody will say that with me. They will say, 'The wonderkind is old and has no hair.' But I can live with that problem."

Although Muster has reached the quarterfinals on hard courts at the last two U.S. Opens, clay is where his style, natural combativeness and remarkable endurance make him the most imposing. "Even as a teenager, Thomas was ready to run through walls to win," said Stanley Franker, the former Austrian national coach.

This year, he has bowled over all opposition, winning 35 straight matches on the surface and becoming the first man since Ilie Nastase in 1973 to win the titles at Monte Carlo, Rome and Paris in the same year. In the process, Muster, the first Austrian to win a Grand Slam

event, has risen to No. 3 in the world rankings.

"You have to give him a lot of credit," said Chang, who failed in his attempt to regain the title he won here in 1989. "Thomas played great tennis today, and he's been playing great tennis for the last couple months."

Chang played remarkable tennis of his own early in the first set, eschewing the high balls that helped him beat Sergi Bruguera in the semifinals. Instead, he took the ball early, went for his forehands and actually overpowered Muster from the baseline. Trailing 4-1, Muster glanced nervously back at Leigeb. Trailing 4-1, 0-40 on his serve, he glanced back again.

But that would be the end to Muster's vulnerability, as he proceeded to save four break points and then rallied to take control of the match. Chang simply could not sustain the brilliance of his early play, making too many errors and

cracking repeatedly under the Austrian's increasingly daunting mix of power, depth and heavy spin. Though the quality of the exchanges would rise to crowd-pleasing levels in the final set, Muster consistently put the bar too high for the shorter Chang. After Chang lost his serve in the ninth game, a forehand error gave the Austrian a match point at 40-15.

"When I was a little kid playing in tournaments, every time I had a match point I would say, 'This is Roland Garros,'" Muster said.

Suddenly, here was the real thing, and Muster nervously sent a forehand into the net. At other times in his tennis career that error might have sent him reeling, but this older, wiser version of Muster is made of sterner stuff.

He controlled the next point from start to finish, and when Chang's backhand sailed wide, Muster was flat on his back, no longer the best claycourt player never to win the French Open.

Graf Wins 16th Title, No. 1 Rank and Hope

Special to the Herald Tribune

PARIS — The tears dripping down Steffi Graf's often impassive face on the victory stand told the tennis world what the lopsided third set did not.

Graf had not counted on winning her fourth French Open title. More poignantly, she has no idea if her now-fragile back will permit her to win another. But when she became a champion again Saturday, beating Arantxa Sanchez Vicario, 7-5, 4-6, 6-0, in the final, it was as if the burden of self-doubt that had been taking on ballast for the last nine months suddenly had been thrown from her slender shoulders.

"I want to thank everybody," she said, gesturing toward her family, friends and her coach, Heinz Gunthardt, in the players' box. "Because a couple of weeks ago, I was not sure I would get here."

The victory was Graf's 16th Grand Slam title in singles and, to hear her tell it, this one had the same emotional resonance as her first, which came on this Center Court in 1987 when she was not quite 18.

"It means just as much," she said.

Only the reasons differ. In 1987, her victory was the realization of a child prodigy's dream. This time, her victory was all about taking adult risks. Graf does not have a back injury. What she has is a chronic back condition: a bone spur on her sacroiliac that pinned her throughout her loss to Sanchez Vicario in last year's U.S. Open final.

Graf debated undergoing major surgery, but surgery would have required six to eight months of recovery and there were no guarantees.

"It looked for a while that she maybe would never be able to play again the way she did before," Gunthardt said.

Others with millions in the bank and nothing left to prove in

their sport might have accepted that verdict and grudgingly moved on. But Graf is accustomed to defining her own limits. In the late '80s, before the emergence of Monica Seles gave her a worthy rival, the only thing she was chasing was her own exacting vision of tennis perfection.

Now, after electing to play with her condition, she is chasing her illustrious past. And on Saturday, she caught up to it in style, reclaiming the No. 1 ranking in a match that featured two rain delays (the second at 5-0 in the third) and many lengthy rallies.

Graf's performance was far from flawless. She missed too many groundstrokes and short balls for that, but it was full of forehand flashes and first-serve winners. Most surprisingly for a player who had not played a match in the six weeks leading up to this tournament, she gathered strength as the usually tenacious Sanchez Vicario, slower after a stomach virus, faded.

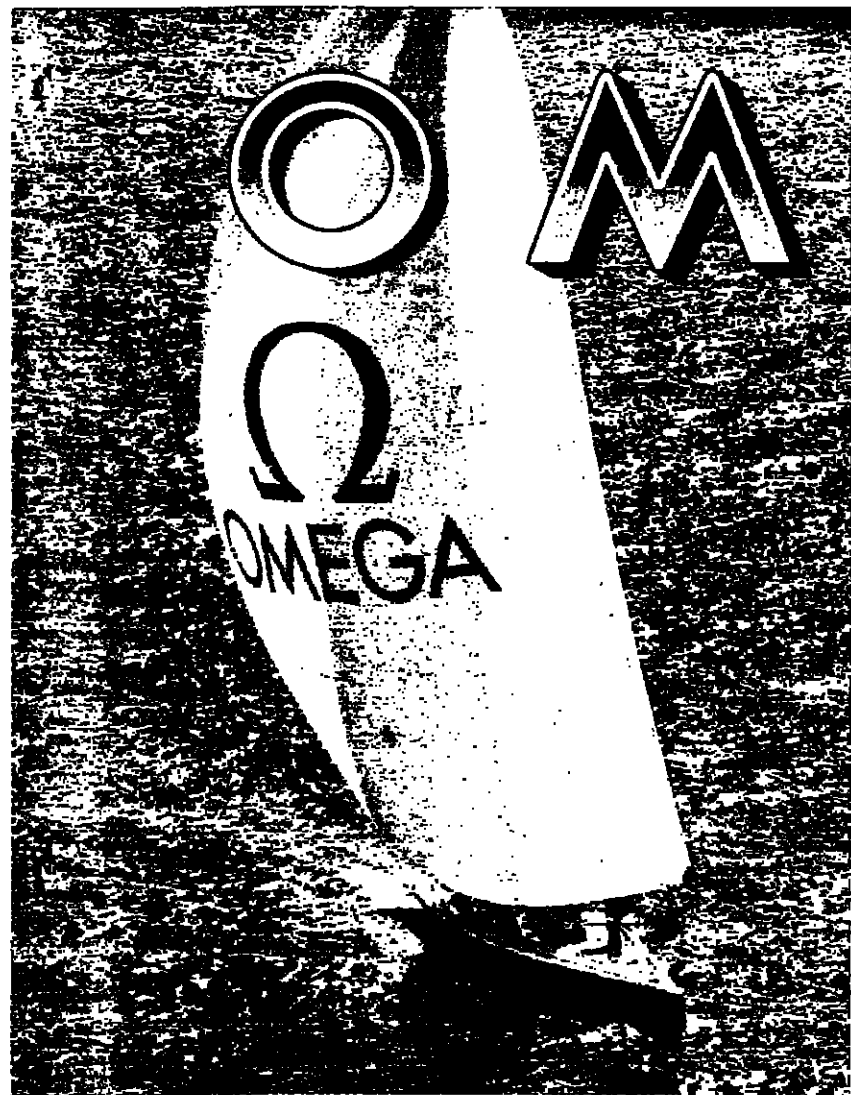
"I started practicing eight or nine days before the tournament, and so I wasn't really sure that would be enough," said Graf, whose back troubled her again in Houston.

Then she caught the flu early last month, and had more health problems in Paris, catching a cold and straining an upper leg muscle. But after what she has experienced lately, these were merely nagging. Graf is now 25-0 this year. More important are the following numbers: 1987, 1988, 1993 and 1995. Those are the years she has won the French.

"This one," she said, "was the most unexpected."

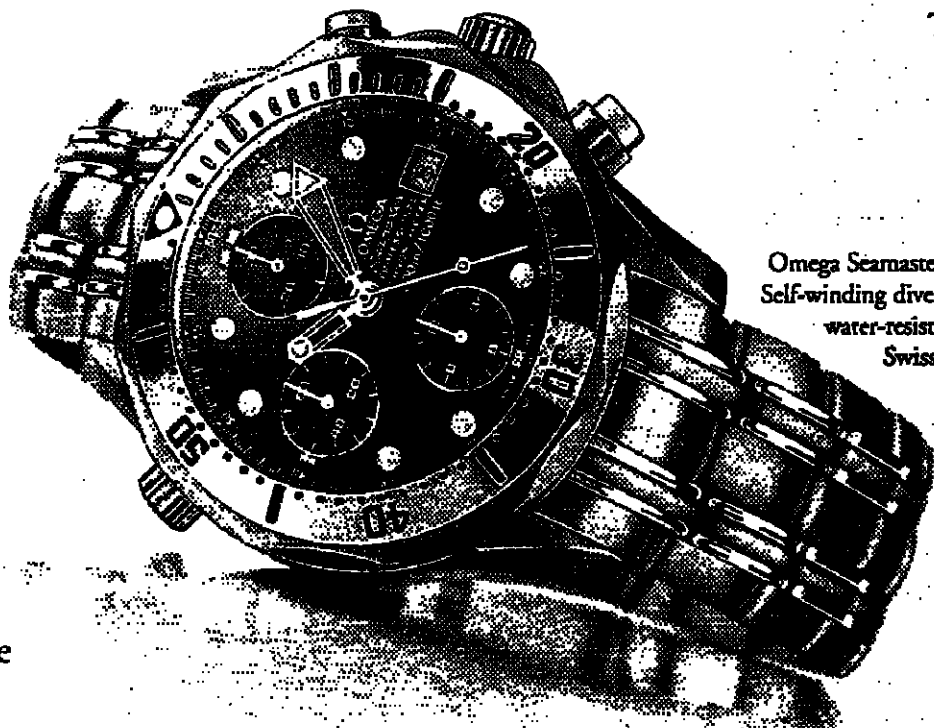
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LANGUAGE

I'll Get Back to You - Maybe

By William Safire

WASHINGTON — "To" is from Mars; "with" is from Venus.

"I have noticed a telephone locution lately that is beginning to drive me nuts," interjects Philip Gelfer, my colleague who works in Business Day. (You don't like interoffice as a verb? You've got a better verb for such communication?) "It's 'I'll get back with you.' I've always said, 'I'll get back to you.' Style police — help!"

When prepositions like *with* and *to* are used to shade direction, they are also known as particles, and are as important to the subtle writer as they are to high-energy physicists. For example, *speak to* implies dictation, or at least a one-way direction of words, while *speak with* suggests conversation or communication between at least two speakers. Contrast *compare to* with *compare with* (or, if you're feeling squishy, *compare compare to* with *compare with*).

The most Talmudic usages say *compare to* seeks to show similarity between unlike things: "Shall I compare thee to a summer's day?" or "Can the human brain be compared to a computer?" *Compare with* examines differences among like things: price tags in discount stores urge customers to "compare with T-shirts selling at \$4."

Most practical usages, including me (preferable to myself included), draw a simpler distinction: *compare to* sharply discerns similarities, while *compare with* somewhat more fuzzily examines both differences and similarities. But my purpose here is to note the way the particles act: *to* seems tough and decisive, *with* soft and ruminative.

Now to getting back to you or back with you. "Variation in usage of prepositional particles," says William A. Kretschmar Jr., who runs the Linguistic Atlas Project at the University of Georgia, "such as *back to back with*, arises because speakers are looking for a particular shade of meaning; *back with* might seem more familiar, or conspiratorial, than *back to*."

He's touched the essence of the difference with "conspiratorial": *with* warmly or sneakily hooks in the other person, while *to* coolly leaves him the recipient with no reply. "I'll get back to you" means "Give me a little while and I'll tell you what I've decided," on the other hand, "I'll get back with you" means "Just ahead is this warmly participative discussion between the two of us."

Feel free to differ. I'll get back to you.

When Brit Hume, the intrepid ABC White House correspondent, tried to pin down the press secretary about his interpretation of the meaning of *rescission*, Michael McCurry admitted:

"That's what a rescissions bill is — cutting spending that's already been appropriated by Congress."

The official transcript spelled the word with three s's. Hume then called me to say that a controversy was developing over this: Was it spelled *rescission* or *rescision*? Was there not a fine shade of difference in meaning when the three s's were used?

Perceptive question. The extra s's make a difference, as Hume suspected; these are different words with overlapping meanings.

The Oxford English Dictionary argues that *rescision*, with an s before the c, means "a pruning, a cutting back"; that's what *scissors* do, using the Latin root of *rescindere*. The similar Latin word *recidere* has the more severe meaning of "to cut off, annul."

Thus, a *rescision* is a cutting off, while a *rescission* is merely a cutting back. Put another way in a different metaphor, a *rescision* is an annulment, a *rescission* a divorce.

We are really splitting hairs here: is it worth it? I turned to Elizabeth S. Girsch, associate editor of the Middle English Dictionary, the language project now going on at the University of Michigan. After giving me a close reading of the incorporation of the two roots into the Middle French and English languages, the MED scholar predicts a merger:

"Because of the long-standing semantic overlap and orthographic similarity between the two words," Girsch observes, "and because languages resist excessive homonymy [different words that sound the same], it's hardly surprising that *rescision* and *rescission* have been, and are being, confused, conflated, and probably ultimately merged in the lexicons of some speakers of English. Under the circumstances, the simpler form has the edge."

Logic is on her side. But in the meantime, fine-tuning writers will use *rescision* to mean "cut-back, sharp reduction," and *rescision* to mean "cancellation, annulment, chopping off without a nickel."

When discussing budget cuts, The New York Times prefers the spelling *rescision* though the word is thought to carry the stilted feeling of government jargon and its routine use is frowned on.

To keep the two spellings straight, the mnemonic is "use scissors to prune the s out of *rescision* when the decision is a cruel, all-out *rescision*."

Television reporters, however, are home free: the related words are pronounced the same.

New York Times Service

A Rich Erudition, Wrought in Silver

By Suzy Menkes
International Herald Tribune

LONDON — "So let's drink the loving cup!" But if you press your lips to the silver rim and take a deep draft, there is a surprise: a sculpted figure wreathed in vine leaves emerges from the depths.

"Dionysus," says Kevin Coates, pointing to the miniature wine god and explaining the symbolism of the cup he designed for the American collectors.

Tastemakers

An occasional series about people for whom style is a way of life

Barbara and Lawrence Fleischman. The silver bowl is a boat (hence its dunder surface below the water line). The legend is from Ovid's "Metamorphoses," so the cup's handles are gilded pirates who turn into dolphins as they leap overboard.

All that mythology, erudition and energetic action in one piece of silverware? You ain't seen nothing yet. For Coates, goldsmith and jeweler extraordinaire, can balance the proverbial angels on the head of a pin — or at least a mash of Orpheus and a tortoiseshell lyre.

That piece of jewelry expresses another legend and carries the written motto, "In death I sweetly sing," referring to the once-mute tortoise and the decapitated Orpheus.

On Wednesday, Coates's one-man show opens at Warkors's jewelry in London, with collectors in line for new jewels; they are prepared to wait three years for the objects that Coates molds in wax and handcrafts himself. On display will be rings, brooches and necklaces and significant previous commissions, such as the Welsh dragon, paperweight created for Prince Charles and a centerpiece of St. George and the dragon from the Prime Minister's Silver Trust Collection. (The dragon is symbolically impaling itself

on the lance, since Coates, a convinced vegetarian, did not want to portray dragon as man's victim.)

Coates, 45, has called the show "Connections" — and that is the essence of his "ideas-led" work.

"All my pieces emerge from the connection between seemingly unrelated phenomena," he says.

Intellectual and visual ideas are worked together like a music score. And music is often the starting point, since it has been the center of Coates's life since he started playing the violin at age 7.

He performs professionally, using early musical instruments with his wife, Nel Romano.

Their day starts, he says, "listening to Mozart."

And here, on a brooch, is a minuscule Mozart, carved in a blue frock coat approaching the Queen of the Night — a development of a previous "Magic Flute" jewel. "Like a bit of postmodern self-reference," he says.

And that sums up Coates's unique imagination. His jewelry, sampling history, art and culture, was postmodern before such a movement existed.

Coates, who graduated from London's Royal College of Art in 1973, calls his 20-year oeuvre "building on a playground of cultural ideas." That might mean a pin representing the head of the nature-god Pan bursting through a strawberry; a plaque containing Towers of Babel in semiprecious stones; or a fish pin set in a geometric pattern. "Sacred geometry," as found in Gothic art and in the musical instruments that Coates collects, was the subject of a book he published.

However arcane such references might seem, the erudition is lightly worn — and the prices not too heavy: from £3,500 to £15,000 (\$5,500 to \$24,000) for the one-off jewels that Coates makes entirely himself, like a Renaissance craftsman.

"It is significant and very rare that they are made by hand completely by Kevin," says Geoffrey Munn of Warkors, which specializes in precious metalwork, including Carl Fabergé and late 19th-century arts and crafts jewelry.



Kevin Coates and the cup he designed dedicated to Dionysus.

Munn says that clients for such "cereal" work are rarefied.

"People who buy my things tend to understand the cultural references," says Coates. "But there are also the Japanese, and they don't have the cultural framework I'm drawing on and respond only to the object itself."

In every way Coates seems to buck the trends, in his devotion to craftsmanship, his desire to express emotion and his figurative style, as opposed to abstract modernism.

"The pieces are very emotional," says Coates. "They express something I feel strongly about. What I have never

done is to follow fashion or particular lines of thought for that sake." He describes his pieces as "outside of their time."

The most obsessive images are of wings and scales, delicately carved on angels, birds or imaginary beasts. His latest work, to be auctioned for a charity at Warkors, is a table sculpture of St. Francis of Assisi releasing a golden bird jewel. Why the fascination with feathers and wings?

"It's like lettering, like music," he says. "Feathers are made up of small things. The whole makes up a pattern. And pattern is meaning."

WEATHER

Forecast for Tuesday through Thursday, as provided by Accu-Weather.

Europe

	Today	High	Low	High	Low	High	Low
	CF	CF	CF	CF	CF	CF	CF
Austria	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Belgium	16/61	12/53	16/61	12/53	16/61	12/53	16/61
Denmark	24/75	14/57	24/75	14/57	24/75	14/57	24/75
France	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Germany	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Greece	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Ireland	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Italy	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Japan	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Netherlands	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Norway	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Poland	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Portugal	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Romania	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Spain	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Sweden	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Switzerland	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Turkey	24/75	14/57	24/75	14/57	24/75	14/57	24/75
U.S.S.R.	24/75	14/57	24/75	14/57	24/75	14/57	24/75
U.K.	24/75	14/57	24/75	14/57	24/75	14/57	24/75



	Today	High	Low	High	Low	High	Low
	CF	CF	CF	CF	CF	CF	CF
Algeria	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Argentina	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Australia	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Brazil	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Canada	24/75	14/57	24/75	14/57	24/75	14/57	24/75
China	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Colombia	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Cuba	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Denmark	24/75	14/57	24/75	14/57	24/75	14/57	24/75
France	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Germany	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Greece	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Hong Kong	24/75	14/57	24/75	14/57	24/75	14/57	24/75
India	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Indonesia	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Italy	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Japan	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Korea	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Malaysia	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Mexico	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Netherlands	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Norway	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Poland	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Portugal	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Romania	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Spain	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Sweden	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Switzerland	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Turkey	24/75	14/57	24/75	14/57	24/75	14/57	24/75
U.S.S.R.	24/75	14/57	24/75	14/57	24/75	14/57	24/75
U.K.	24/75	14/57	24/75	14/57	24/75	14/57	24/75

Asia

	Today	High	Low	High	Low	High	Low
	CF	CF	CF	CF	CF	CF	CF
Bangkok	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Beijing	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Bombay	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Calcutta	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Canton	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Chongqing	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Colombo	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Dacca	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Delhi	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Hankow	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Hong Kong	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Kobe	24/75	14/57	24/75	14/57	24/75	14/57	24/75
London	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Manila	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Medan	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Osaka	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Peking	24/75	14/57	24/75	14/57	24/75	14/57	24/75
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Shanghai	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Singapore	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Taipei	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Tokyo	24/75	14/57	24/75	14/57	24/75	14/57	24/75

Latin America

	Today	High	Low	High	Low	High	Low
	CF	CF	CF	CF	CF	CF	CF
Buenos Aires	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Caracas	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Cuba	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Guatemala	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Havana	24/75	14/57	24/75	14/57	24/75	14/57	24/75
La Paz	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Lima	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Managua	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Medan	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Montevideo	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Quito	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Rio de Janeiro	24/75	14/57	24/75	14/57	24/75	14/57	24/75
Santiago	24/75	14/57	24/75	14/57	24/75	14/57	24/75

North America

	Today	High	Low
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